The Incorporated Accountants' Journal.

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Professional Notes.

IN the House of Commons on January 23rd, on the discussion of a Supplementary Estimate for a subsidy on Sugar and Molasses manufactured from Beet Sugar in Great Britain, Mr. Arthur Michael Samuel, M.P., severely criticised some auditors' certificates on balance-sheets to which he referred. In order to make the matter quite clear, we would point out that the Parliamentary Secretary to the Ministry of Agriculture, Dr. Addison, intimated that the companies to which Mr. Samuel drew attention did not obtain any part of the subsidy which was then under consideration.

Mr. Samuel's criticisms related to balance-sheets of certain refineries contained in a Parliamentary paper issued in December last, but the accounts of the sugar beet factories are given in a previous Parliamentary paper which was ordered by the House to be printed on July 25th, 1929. Taken as a whole, the balance-sheets of the sixteen companies contained in the White Paper of July and the auditors' certificates thereon, comply with the provisions of the British Sugar (Subsidy) Act, 1925.

Mr. Samuel was very severe on one of the auditors' certificates in which he said he found the following: "We have obtained all the information and explanations we have required, which have been promptly and satisfactorily given." "That," said Mr. Samuel, "was mere wind and useless verbiage." Did it mean that information had sometimes not been promptly and satisfactorily given? If not, why was it now stated that the information had been given promptly? "The next thing they would have in those accounts was a statement that the office boy's tie was of the right colour to satisfy the auditors." On the next occasion, unless the Ministry could arrange for a more searching type of certificate, they would have, he said, to move a reduction of the vote.

Another balance-sheet in the December Parliamentary paper was, to Mr. Samuel, "laughable." The auditors stated without any approval or disapproval: "No provision has been made for Depreciation of Refinery, Plant and Machinery. Subject to this, we are of opinion that such balance-sheet is properly drawn up." "In other words," said the honourable gentleman, "subject to that item, which was the pivot of the whole value of the certificate as showing whether a loss or profit had been made, the balance-sheet was stated to have been properly drawn up." Unfortunately, we have not this balance-sheet before us as we write, but in our opinion there could not have been any profit as one of the objects of the auditors' certificate was to draw specific attention to the fact that no provision for depreciation had been made. Mr. Samuel intimated that whether private Shareholders were or were not going to accept the old form of auditors' certificate, he

intended to protest in the House against certain forms of certificates being accepted there. We can only express regret that such an important discussion arose on a Supplementary Estimate without consideration being given to the accounts of British Sugar Beet Factories generally, upon which a large amount of professional care has been devoted.

The trial at the Central Criminal Court of Clarence Hatry and his associates came to an abrupt termination on January 24th, when the four defendants withdrew their pleas of "Not guilty" and pleaded "Guilty" to the whole of the counts in the indictment upon which evidence had been given. In sentencing Hatry to fourteen years' penal servitude and the other defendants to various terms of imprisonment, Mr. Justice Avory said that they stood convicted on their own confession of the most appalling frauds that have ever disfigured the commercial reputation of this country, frauds more serious than any of the great frauds upon the public which had been committed within the last 50 years according to his personal experience. They had been carried out by means of wholesale forgeries of Bearer Securities in Trustee Stocks, which neither Banker nor Broker nor any member of the public would ever dream of suspecting to be otherwise than genuine. Apart from the important commercial and financial aspects, there would not seem to be any special lessons of professional value, such as characterised the previous trials during the last half-century referred to by Mr. Justice Avory. It is only necessary to add that Sir Gilbert Garnsey, in giving evidence which occupied some hours, dealt with all the complicated transactions with his usual skill and ability.

The appointment of unqualified auditors in connection with the accounts of Friendly Societies is referred to at some length by the Chief Registrar of Friendly Societies in his Report for the year 1928, extracts from which we publish this month. Speaking of the annual returns of these societies, he says that each year the examination of those returns furnishes further evidence of the advantages to be derived from the employment of qualified accountants, and that cases continually arise "in which losses are directly attributable to the incompetence of unqualified auditors, most of whom appear to be quite unaware of the responsibilities attached to their office."

The Registrar has gone so far as to preface to the attestation in the annual return form, a note calling attention to the responsibilities of a person signing a certificate verifying a return without taking proper steps to satisfy himself that it is in accordance with the law, and pointing out that he places himself under liability to a fine of £50. This warning is apparently having some effect. In one case the secretary of the society informed the Registrar that the two auditors who had previously acted felt that they were "absolutely incompetent to conduct the audit of the society."

The cases of defalcation which periodically occur also show the necessity for a proper audit. The Registrar says that in many instances it was again found that the employment of inefficient auditors and the lack of supervision by Committees "enabled officers to plunder the funds for long periods without discovery," and the defaulters being frequently persons in poor circumstances, it was impossible to obtain any compensation from them. The amounts involved had consequently to be written off as total losses.

In an appeal from the decision of the High Court at Bombay in the case of *The Commissioner of Income Tax* v. *Ahmedabad New Cotton Mills Company, Limited*, the Judicial Committee of the Privy Council has decided that in order to arrive at the correct profit for Income Tax purposes the stock at the beginning and end of any particular year must be valued on a similar basis. In the case under notice the company had been in the habit of undervaluing its stock for the purpose of creating a secret reserve, and the Commissioner of Income Tax claimed to revise the valuation at the end of the year without making a corresponding revision at the beginning of the year, thereby inflating the profits.

The Lord Mayor of London, in distributing the prizes to the students of the Leathersellers' Technical College, said he was interested to note that instruction was being given at the college in cost finding and cost accountancy. To be successful in business, he said, it was necessary to ascertain accurately the cost of manufacture. "The old days are past," he continued, "when one could say that labour costs so much, and material so much, while overhead charges are probably such and such an amount—and then the rest is profit. To-day you can easily find the cost of labour and material, but unless there is some accurate method of cost finding you do not know what the overhead charges are, and that, in many cases, has brought firms to

grief. The keener the competition—and we are all subject to keen competition nowadays—the more necessary it is that the overhead costs should be properly ascertained and allocated to labour or material in the right proportions."

The Companies Act, 1929, contains several provisions which will render certain of the Articles of limited companies invalid, and the question has been raised as to whether it is necessary immediately to have these invalid Articles revised. From the point of view of the directors it is advisable, without delay, to have the Articles so amended as to conform with the new law; otherwise an invalid Article might be acted upon. On the other hand, no penalty is incurred by a company merely because one or more of its Articles are invalid. The penalty arises only when the illegal Article is acted upon.

It is alleged that endeavours are being made to avoid the provisions of sect. 128 of the new Companies Act, which requires the disclosure in the accounts of a company of the amount paid for directors' fees. A case has been recorded in which directors who receive a percentage of the profits are to be given the position of managing directors so that under the terms of the section (which excepts a managing director from its operation) the fees will not require to be shown in the accounts. If this method of "legal avoidance" is to be attempted effective steps will no doubt be taken to counteract it.

Another provision of the new Act which has given rise to some questions is contained in sect. 63. This provides that notwithstanding anything in the Articles of a company it shall not be lawful to register a transfer of shares or debentures of the company without a proper instrument of transfer. Doubt has been expressed as to whether, in view of this provision, the registration of holders of shares taken under Letters of Renunciation is not a breach of the section. In these cases there is no transfer deed. The allottee merely signs the renunciation letter in blank over a 6d. stamp, and the document passes from hand to hand until the final buyer is registered at the end of the period fixed for that purpose.

The point to be remembered is that although shares may pass from one person to another under a Letter of Renunciation they have never been placed on the company's register, and therefore sect. 63 does not apply to them. But this raises a further question: Should the original allottee not be placed on the register when the allotment is made in order to comply with sect. 95 of the Act? It should also be borne in mind that the original allottee remains liable for payment of the instalments notwithstanding the renunciation, and therefore it is always advisable, where possible, to sell the rights rather than to renounce the shares after allotment.

The principle of renunciation is not in question, as it is contemplated both by the Stamps Act, which fixes the duty, and by sect. 35 (5) of the Companies Act, 1929, which relates to the contents of prospectuses.

A correspondent of *The Times* points out some provisions of the French Commercial Code which he thinks might be adopted in this country as a protection to shareholders of limited companies. Amongst them are the following:—

(*a*) Any shares allotted for a consideration other than cash cannot be sold for at least two years from the date of allotment.

(*b*) A minimum of 5 per cent. per annum of the profits for any year must be carried to a statutory reserve up to a certain limit.

(*c*) Immediately half the share capital of a company has been lost a general meeting of the shareholders must be called to decide whether the company shall continue to carry on business.

According to a statement prepared by Messrs. Jordan & Sons, Limited, the total number of public companies registered during the year 1929 was 623 with a capital of something over £156,000,000. This compares with 838 companies registered in 1928 with a capital of about £153,000,000. The registrations of private companies numbered 8,049 with a capital of £73,000,000, whilst in the previous year the number was 8,174 with a capital of £68,000,000. The figures would doubtless have been larger in 1929 had it not been for the fact that the break in the share market about the month of September almost put a stop to new issues for the time being. In the classification under trades and industries the largest group, as regards the amount of capital, is the Iron Trade, the next largest being the Mining Industry. Of private companies no less than 695 were in connection with the Clothing Trade, and 596 under the heading of Food, the Motor Industry coming next with 515 registrations.

In a recent issue of the *Observer* it was remarked that "many business men are beginning to look askance at the large part accountants are playing in modern business developments. These 'men of figures,' they declare, are gradually usurping control of many great businesses, not only in the matter of finance, but also in administration and executive management. Such control, it is asserted, is not beneficial, for expert though they may be in weaving financial structures, accountants are by nature conservative and lack the spirit of enterprise and initiative so essential to progress in industry."

In commenting upon this complaint, the *Observer* expressed the view that "the super-optimist is apt in his enthusiasm to overlook the cold facts which figures properly presented provide for his guidance. The conservatism of the accountant is the proper antidote to such over-optimism. It would, indeed, be of considerable advantage if his advice and guidance were asked for and accepted at an earlier stage than is now deemed necessary. Were every audit to be a thorough examination of methods rather than a mere certification of certain sets of figures, many financial disasters might be saved."

Examinations, Examiners and Examinees.

YOUTH may well be excused if it tends to think that life to-day is punctuated with examinations. To the few they are a terror or a joy, to the many a troublesome barrier. But they persist alike before delight and disgust. They are a necessity. In essence, examinations are merely an illustration of an age-long instinct, the desire to know. Not the desire of the examinee for knowledge, but the desire of the instructor or the user. And for this purpose each employs the instruments of the examination and the examiner.

Man has always sought instruments for his purpose. When the first flint implement was fashioned, primitive man no doubt went forth to try its efficiency. So to-day, when education is prescribed for us all, the examiner has appeared to test its achievement. Examinations and education have grown together. To-day no one condemns education, but there are still many who gird at examinations until, pushed step by step to the ultimate, they are forced to confess that they can neither advocate their abolition nor suggest a more satisfactory substitute. At school, at college, and during life, examinations of one sort or another confront the aspirant, bringing him to the bar of judgment of knowledge, before he may pass on to another stage. They serve two purposes. The first is to stamp the examinee with a definite standard of knowledge, just as a coin is minted of a given fineness and value. The second is to select out of the mass those few to whom have been given qualities of mind or temperament which mark them out as standing above their fellows. To most men the former class comes more commonly. It is only the few that have to bear the rigour of the strictly competitive examination for place or position. So the common entrance examination stands as a bar to be surmounted for entry to the public schools. Without its qualifying stamp the delights of that experience are not to be obtained. Headmasters may rage against its results, but in despair support its maintenance. At appointed periods through the school career the pupil must satisfy his instructors, by the written word, that he has been paying due regard to the efforts to educate him. It is a mass system, and a mass test. There is no room for nice distinctions. At the end there is the school certificate examination, unless the school is so ancient or so indifferent to the welfare of its members that this test is ignored. But it is one for which employers, anxious to fill their staff vacancies with young recruits of a given standard, stolidly stipulate. They ask: Have you passed the London Matriculation, or the Oxford or Cambridge Senior examination with the necessary credits? It has been described recently as a bad influence upon education, but that surely is not because there should be no examination of that kind. The criticism must be aimed at the standard or the form or scope of the examination, not at the fact of examination *per se*. In the markets of the world those products which can be graded as of a given quality will find the readiest sale. It is the same with the human product. The employer is too busy, perhaps too incompetent, to apply rigorous tests of his own. He prefers a brand, a good brand, one with which he is familiar, and one which he has tried and found satisfactory on previous occasions. Nor can he be blamed for that.

Later in life, he who wishes to enter certain close circles must further prove his worth. All the professions exact this tribute. Whether you wish to be a clergyman, a soldier or a sailor, a barrister, a doctor or a dentist, or a veterinary surgeon, an Incorporated or Chartered Account-

ant, a civil servant or an engineer, a chemist or a physicist, it is examinations—examinations all the way. Professional pride is a praiseworthy quality. And as each vocation progresses in importance, those who practise it band themselves together in institutes, associations, incorporations, guilds and so forth to maintain and improve their prestige. No one may then hold himself forth to the public as fully qualified to do that which he professes unless and until he has borne witness to his ability by satisfying his peers in the examinations which those bodies invariably establish for that purpose. So is the public protected, and the buyer of professional services is assured, as fully as human ingenuity can, that his adviser is a competent fellow.

There is as yet one sphere uninvaded—the sphere of business. Here controversy still rages round the question whether the man who has taken a University course and proved by his degree his ability of mind is better material for high executive or administrative work than the man who, having satisfied the less exacting tests applied at an earlier age, enters business direct from school, and spends in hard practice the years devoted by the other to further sharpening of the mind. On the scientific side of business the value of the examination test is fully admitted. Who doubts but that in course of time it will be just as axiomatic on the commercial side?

What of the examiners? *Quis custodiet custodies?* Their record must speak for them. At the school there is no lack of opportunity to practise under the vigilant eye of a past master in the art, the head of the school. Experience in this field is the surest guide in examining the work of the examiner. To the examiner come two problems, one in setting his papers, the other in marking the attempts of the examinees to deal with them. The examiner must be master of his subject. His papers must fully cover the ground on which the candidate is to be tested. His questions must not be merely smart or clever. Nor must they be directed solely to the more remote and recondite parts of the subject with which he is dealing. Above all things the questions must be clear. The examiner is setting a paper for a number of boys or girls, men or women. Their mentalities will vary, but the construction these many minds will put upon the questions must be the same. From error questions must be absolutely free. It is by no means unknown for examination papers to sin in this manner, to the confusion of the candidates, and, be it added, often to their distress. If an examiner be allowed, like a dog, his first bite of error, a second should be the prompt occasion for relieving him of his duties. An examination paper should be a combination of the expected and the unexpected from the candidate's point of view. The expected will cover a selection of the principal parts or more important phases of the subject, those which every candidate may reasonably be expected to know thoroughly. But the extent of the questions here should not be sufficient to permit of the pass standard being attained thereon alone. It is the unexpected which should cover this marginal element. Unexpected here means nothing more than a candidate's recognition of a possibility of his being required to know also that part of his subject. The distinction drawn may be alternatively expressed by saying that the paper should divide itself into two parts, one requiring direct knowledge and the other the commonsense application of the principles underlying that knowledge. It is the common experience of examiners that many pupils will learn by rote and produce a precise book knowledge without difficulty, but that immediately they are asked to apply that knowledge or its principles in some unfamiliar form, their mental picture is deranged and their pen falters. Normally a choice is allowed to the candidate; it should be a fair one, sufficiently wide in a large subject to allow for the idiosyncrasies of personal attraction. The questions required to be attempted should not be out of proportion to the time allowed. Some examiners test this for themselves by answering their own questions (it is to be hoped without the book) before they permit their draft paper to go forward. It is an excellent habit. Arithmetical or other errors in the paper, if such there should be, are at once detected. The time factor is adequately tested. To the mathematical examiner the habit may be specially commended. He is often an optimist in his expectation of the rapidity with which the candidate will work, and of the facility with which the problems or riders will be solved. Because of these difficulties in setting examination papers, there exists the Moderator. An experienced examiner, wise in his knowledge of the pitfalls of the neophyte in that field, and sympathetic to the unknown candidate, his is the duty to moderate the draft papers, to raise the standard of those which are too weak, and lighten the proposed burden upon the victim should it be too heavy.

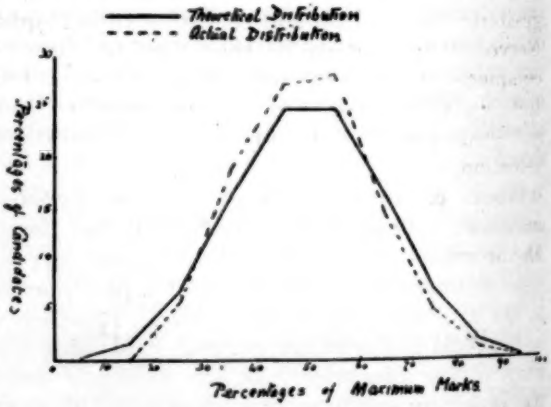
When the examinee has done his best, the examiner's second task begins. He has to assess the respective values of the candidates' efforts.

For qualifying examinations, especially when there is no aggregate test on the examination as a whole, the alpha beta system may suffice. But it does not seem really satisfactory. Alpha plus must have some definite relation to beta minus, and so on for every other letter-sign marking. If it has not, it is worthless. If it has, then the markings will be more satisfactorily expressed and the relationship more closely established if the marks are expressed in figures. When all the papers have been marked, and the aggregate of each candidate ascertained, a further test should be applied, either by the examiner, or by the authorities conducting the examination for whom the examiner is acting in respect of his particular subject. This test will consist of distributing the number of candidates by reference to the particular percentage of the total marks which they have obtained. In technical language, a frequency table will be compiled, showing how many candidates have obtained between x and y per cent. The range between x and y may vary. As a rule a range of 10 per cent. is sufficient, so that the total number of candidates will be distributed according to their respective marks in ten ranges, the first being between 0 and 10, then over 10 and not exceeding 20, over 20 and not exceeding 30, and so on. Arranged in this manner, the candidates should distribute themselves, when their total number is sufficient to give a fair sample, in a normal distribution curve. As a rule, any number of candidates above 250 is sufficient. This distribution curve should, in the absence of special factors, follow the curve normally obtained by the law of probability. The largest number of instances, *i.e.*, the bulk of the candidates, should tend to fall within the classes of 40 to 50 per cent. and 50 to 60 per cent. On either side of these two classes the number of candidates in the remaining classes should tend to diminish, so that in the lowest as in the highest class there are very few instances. Statistics kept over a number of past years regularly display these features. If the tabulated results do not show them, the examiner should look carefully to his work and to his markings. This test is of the utmost value in the hands of the examining authorities for detecting and correcting abnormal tendencies in individual examiners. If it functions in the majority of subjects, but fails to do so in one, then that examiner should be suspect. He is probably setting too high or too low a standard, or, worse still, he may be marking erratically, if the curve of his frequency table shows unexpected peaks and depressions.

The theoretical distribution is as follows:—

Percentage of Maximum Marks.		Percentage of Candidates with Aggregate Marks falling between these ranges.
Exceeding	*Not Exceeding*	
0	10	0.2
10	20	1.8
20	30	7.0
30	40	16.4
40	50	24.6
50	60	24.6
60	70	16.4
70	80	7.0
80	90	1.8
90	100	0.2
		100.0

On the graph below the continuous line shows this theoretical distribution, while the broken line shows the actual distribution of the candidates in two subjects, taken together, at a professional examination, and therefore shows the actual distribution of some 250 candidates. The mean difference between the theoretical and actual distribution was 1.68.



Finally, there are the examinees. To those to whom examinations are no terror, nay, possibly even a delight, nothing needs to be said. They have found the royal road to many of the world's initial successes. To others, there may be some comfort in the assurance that success in examinations is mainly a matter of proper preparation and individual grit. Sufficient time for study is a necessity. When so engaged, cultivate concentration. The human mind has an inveterate tendency to wander. To read of A suggests B, and that suggests C, so that almost before one is aware of it wayward thought has taken control, and the mind is meandering in pleasant ways miles away from the subject in hand. Determination will conquer that. The habit of writing notes will assist. In due course these notes will prove invaluable for rapid

revision purposes immediately before the ordeal. It is not unknown for students to reduce their main text-books almost entirely to notes. But it is no use borrowing the work someone else has done in this way. The value of the practice lies in doing it oneself, at least if real knowledge and not merely success in an examination is desired. Much may be learned from prints of past examination papers. Examiners are human, and often return, like homing pigeons, to questions that have been put before, though they usually modify the precise form. The application of the statistical method to former papers may reveal this tendency, or bring to light those parts of a subject which examiners consider the most important. It may appear from such a scrutiny that out of twenty papers, ten or twelve set questions on this branch, seven or eight on that, and so on. Here is a guide which it may be valuable to follow. Above all, the practice of writing specimen answers should not be neglected. There is an art in answering examination questions. It can be best acquired by practising it. Former papers will supply the material. The given time limit should be rigidly adhered to, and made to include the minutes required for grasping the question and collecting the thought. Nerves, that bugbear of the examinee, can be conquered in this manner. It is of no avail to fret against examinations. The practice tends not to decrease, but to increase. Its purpose is selection, and only by selection, good or bad, do men come to the top. Of the methods available, selection by examination is by no means the worst.

Estate Duty on Gifts.

IT is common knowledge that, when death occurs within three years of the making of a gift, estate duty is payable on the value of the gift. It is not suggested that the gift can be attacked, or that the asset which was gifted is to be treated as still belonging to the deceased, and it is vital to keep these considerations in view. But the value of the gift has to be aggregated with (1) the proper estate of the deceased, (2) all other estate passing on his death, and (3) all other gifts within the three years. This aggregated value then fixes the *rate* of estate duty on the whole, and that rate of duty has to be paid on the value of the gift. At this point two questions at once suggest themselves—who pays the estate duty on the gift? and at what date is the value of the gift to be ascertained; is it the date of the gift, or is it the subsequent death of the donor? The first of these questions is easily answered, and definitely; the donee pays the estate duty on the gift, and the executor has no liability at all for it. The other question is complicated and difficult, and this article has its origin in the most suggestive opinions delivered by the Judges in the Scottish Court of Appeal in the recent case of *Lord Strathcona and Mount Royal* v. *Inland Revenue* (reported in (1929) *Scots Law Times*, 629). That case is concerned only with the date of valuation, but it may be useful to consider other aspects also.

In the latest edition of "Hanson on Death Duties," the Editor, without any indication of doubt, states that the value is to be taken as at the date of the gift. In all the earlier editions the date of the donor's death was stated to be the crucial point of time. That may suggest a simple question of law with only two possibilities, and quite free from all subtleties. But the subject is no sooner entered upon than its perplexities appear. Many things may happen in three years, and if in January, 1930, the value of X is to be ascertained as it stood in January, 1927, it may be found that the problem begins to partake of metaphysics. Besides, the estate duty code is permeated with assumptions contrary to fact, and the construction of the code has evolved the theory of an appeal to even a notional death. The late Lord Atkinson in *Attorney-General* v. *Milne* (1914, 1 A.C., 765) dealt with sect. 2 of the original Harcourt Act of 1894, which is the section containing the net to catch gifts. His lordship said: "Section 2 enacts that property which in fact has passed while a person is alive shall in certain cases be deemed to have passed as if he were then dead." Here we have the peculiar assumption of a notional death at a date when no actual death has occurred. In the *Strathcona* case one of the Judges stated that Lord Atkinson's way of putting it had impressed him strongly. In the latter case, Lord President Clyde made a similar point in defending his own suggestion of a notional resurrection at the donor's death of the state of matters precisely as it had existed at the date of the gift. His lordship said: "No doubt all these valuations will be hypothetical; but in a statute which abounds in hypotheses there is nothing startling in that."

Admittedly the officials and the advisers of the Department have, equally with others, realised the difficulties which lie in the way of the acceptance of either the one date or the other. At present the Department plump for the date of the donor's death, but not finding it possible or reasonable to adhere to that con-

sistently, what it has actually come to in administration is a series of patches or concessions, which practically amount to the setting up of a departmental code, unauthorised by statute. Thus it is stated that the Department claims no duty at all if the gift disappears or perishes between the date of gift and the donor's death. This may sound all very well, but it is a very serious inroad on the enactment if the latter means that the valuation shall be at the date of the gift. Besides, suppose the gift is a house and that it is destroyed by fire before the donor's death. Is estate duty to be charged if the house was fully insured; half charged if half insured; and charged not at all if no insurance? Such are the inevitable complications when principle is thrown to the winds and the plea of "hard lines" introduced. Hard cases make bad law. Then, in the second place, the Department disregards increases or decreases in value between the two dates, if due to the donee's action. A pretty complication this suggests in the case of the gift of a going business, where any accountant will at once see the cross contentions which may be maintainable. It is implied in this second rule that changes in value between the two dates which are due to what are called outside causes are taken into account. A good example of this last kind of case is furnished by stock exchange investments, and the *Strathcona* case was of that nature.

The gift of Lady Strathcona to the members of her family was of stocks amounting in value at the date of the gift to about £400,000. The case was simplified by the fact that the donees had retained the actual investments, thus avoiding the further complications which arise when the donee has sold before the donor's death, and therefore that event is not dealt with in this article. At the death of Lady Strathcona the value was about £470,000. The Crown claimed that it was this latter sum which had to be brought into aggregation, and the decision confirms that contention. It was a case of three Judges against one, but the opinions delivered make the decision specially interesting, for the one dissent was on a very peculiar view of the facts, and while the three other Judges concurred in the result, they reached that end by very different roads.

The dissenting Judge was Lord Blackburn. He regarded the facts as amounting in effect to a gift by Lady Strathcona to her children of *cash* equal to the then value of the stocks, and with that cash they then purchased the stocks from their mother. It seems to be common ground that cash never changes its value, no matter how it may be used or misused. It is noticeable that the other Judges did not comment on Lord Blackburn's ground of dissent. It is also obvious that while that ground led his lordship to adopt valuation at the date of the gift in this case (because in his view the gift was cash) it leaves him open to adopt the date of the donor's death in other cases.

The Lord President voted for the date of the donor's death, but on a theory of valuation which might in other cases produce quite different results from his colleagues who agreed with him in the *Strathcona* case. That theory is not disturbing when the gift is of stocks retained by the donee. But the theory itself is that, while the valuation is to be at the date of the donor's death, what is then to be valued is the actual thing as it existed at the date of the gift with all its inherent and potential qualities as at the date of the gift, but to be assessed under market conditions ruling at the donor's death. In the case of a pedigree colt or stallion, the flight of time, the increase in age, the racing or stud progress or decline in the three years (or other period) are all to be notionally obliterated. But if that particular breed of horse has in the same period risen or fallen in value, that is to receive effect. This is strictly logical and also distinctly subtle.

Lastly, the third judicial view in the *Strathcona* case agrees practically, if not absolutely, with that at present favoured by the Department. All the ups and downs of the gift during the period after the gift and up to the donor's death are taken into account. If the gift was a pedigree colt, and if in the interval he has won the Derby, it is a Derby winner that is valued. At least so it was judicially indicated; but what about the skill and expense of the horse's training? It is called the commonsense view, apparently because on the whole it is thought to be attended by rather fewer difficulties than any other solution.

THE COMPANIES ACT, 1929.

Arrangements have been made for a joint meeting of London Incorporated Accountants with London members of the Chartered Institute of Secretaries to be held in Incorporated Accountants' Hall on Tuesday, March 18th, at 5.30 p.m.

Mr. Lionel Cohen, K.C., will deliver an address on the Companies Act, 1929, and will deal particularly with new features in company practice introduced by the Act.

The chair will be taken by Brig.-General Arthur Maxwell, C.B., C.M.G., D.S.O., D.L., Past-President of the Chartered Institute of Secretaries, who will be supported by Mr. Henry Morgan, President of the Society of Incorporated Accountants and Auditors, and other Members of the Council.

WIDOWS, ORPHANS AND OLD AGE PENSIONS.

[CONTRIBUTED.]

THE Widows', Orphans' and Old Age (Contributory) Pensions Act, 1929, alters and enlarges in several respects the provisions contained in the original and principal Contributory Pensions Act, 1925. To understand clearly the amendments, it is necessary to recall some of the chief points of the original Act. Broadly speaking, all the classes insurable under the Health Insurance Acts were brought into the Pensions Scheme at the passing of the original Act, and contributions are paid for both Health and Pensions Insurance by one combined contribution, which is subsequently apportioned between the Health Insurance Fund and the Pensions Account.

To qualify for pensions under the Act certain conditions have to be fulfilled, and the qualifying provisions of the earlier stages of the scheme are based on the number of contributions paid and periods insured under the Health Insurance Act. This relationship must accordingly be borne in mind in the explanation which follows. Practically all manual workers are insurable under the scheme, and, with certain exceptions, non-manual workers with an income of less than £250 per annum are also insurable. Before June 30th, 1919, the qualifying income was £160 for non-manual workers, and this date and income should be remembered in the qualifications necessary for pensions payable under the Amending Act of 1929. It should also be borne in mind (1) that the original Health Insurance Act dates from July 15th, 1912; (2) that the Pensions Act dates from January 4th, 1926, for Widows' Pensions and contributions; from July 2nd, 1926, for Old Age Pensions at 70 without the means test; and from January 2nd, 1928, for Old Age Pensions at 65.

The pensions payable are 10s. weekly for the widow, with an additional allowance of 5s. weekly for the eldest or only child, and 3s. weekly for each other child. Orphan children receive 7s. 6d. per week.

For the widow of a person dying after January 4th, 1926, the above pensions became payable forthwith, and these provisions still remain without alteration. Widows' Pensions are payable until the age of 70, when the pension merges into the Old Age Pension. The pension ceases on re-marriage, and there are other specified disqualifications.

There have been slight alterations made by the 1929 Act in the age up to which children's allowances are payable. Allowances are now paid up to the age of 14, or, in the case of a child under full-time instruction in a day school, the date on which he ceases to be under such instruction, or on July 31st next following the date on which he attains the age of 16, whichever is the earlier.

As regards the widow of a man who had attained the age of 60 at the date of marriage, no pension is payable if the marriage takes place after April 29th, 1925, unless—

(*a*) there are or have been one or more children of the marriage; or

(*b*) at the date of the death of her husband three years or more have elapsed since the date of the marriage; or

(*c*) subject to certain disqualifications, she was immediately before the marriage in receipt of a widow's pension.

It should be noted that if for any reason the widows' pension ceases (other than the death of the widow, when the allowance would become an orphans' allowance), such cessor does not affect the payment of the additional allowance.

The statutory conditions which must be fulfilled to secure pensions as above are that in respect of the husband it must be proved that 104 weeks have elapsed, and 104 contributions have been paid, since the entry into insurance, and that, where 208 weeks have elapsed since the date of entry the average number of weekly payments for each of the three years immediately prior to his death must not be less than 26. It should be mentioned that the recent Insurance Acts allow periods of unemployment and also sickness periods to count as contributions.

The 1929 Act re-drafts the above provisions to some extent, making the limitations of 208 weeks and three years mean that if the person concerned has ceased to pay contributions by reason of his age, the determining periods shall end on the date on which he died or the date on which he ceased to pay contributions by reason of his age, whichever is the earlier.

The latter conditions are waived altogether by the 1929 Act in respect of a person, if at the date he attained the age of 60 he was an insured person, and had at that date been continuously insured for a period of ten years, or if he attained the age of 60 between July 15th, 1912, and July 15th, 1922. Also they do not apply if, immediately before he attained the age of 70, or if he died before attaining that age, he was at the time of his death entitled to an Old Age Pension under the 1925 Act.

It may be useful to explain here the operation of the different Pensions. Widows' Pensions, and also Pensions payable at 65 under the old age provisions, cease at the age of 70, but all classes of pensions at this age are carried on under the Old Age Pensions Acts, 1908 to 1924, with the distinction that, if granted under the contributory scheme, the means test does not apply. The recipient really knows little difference, the mention of ages under these Acts simply meaning that up to 70 the Contributory Pensions Account bears the expense, and after that age the Old Age Pensions Acts, 1908 to 1924, carries the expense out of moneys provided by Parliament.

Pre-1925 Act-Widows with Children.

Under the 1925 Act the provision of pensions for widows of men who died before January 4th, 1926, was limited to those who had children under the age of 14. At the expiration of six months after the youngest child had attained the age of 14 the widow's pension ceased, although if a child was at school the additional allowance continued until the age of 16.

The 1929 Act extends the right to Widows' Pensions until the youngest child has attained the age of 16, or if at school to the age of 16, plus a further period to end of the school term. If the youngest child or only child dies before attaining the age of 16, the pension continues until the date on which the deceased child would have attained that age, or until the expiration of six months from the date of the child's death, whichever period is the shorter. This, however, is without prejudice (in a case where the deceased child was not the only child) to any further continuance of the pension to which the widow may be entitled in right of any older surviving child. The children's allowance terminates at 14; or, if at school, 16 or at the end of the school term next succeeding.

If the pension has already ceased under the former provisions, it will be revived to those qualifying under the 1929 Act, and pensions will be payable from January 2nd, 1930, but no payments in respect of the intervening period will be made. The conditions to be fulfilled in respect of a deceased husband are the same as if the death had taken place after the commencement of the 1925 Act.

Pre-1925 Act–Widows of 55 to 70 irrespective of Children.

As regards widows of 55 to 70, the 1929 Act provides pensions irrespective of children to a widow who has attained the age of 55 and is the widow of a man who died before January 4th, 1926, and as respects whom it is shown that he was at some time within three years of his death, or, if living until 70, within three years of his attaining that age, registered as a member of an approved society or as a deposit contributor. Broadly speaking, this will apply to men whose death took place after July 15th, 1912.

For a man who died prior to July 15th, 1912, it will be necessary to prove that within the same period his normal occupation was at some time such as would have brought him into insurance if the Act had then been in force. The widow of a man who served in the late war in the Naval, Military or Air Forces of the Crown, or as a seaman, for a period of not less than two years, and was entitled to be insured while so serving, and died within three years of the termination of that period, will also qualify; likewise the widow of a man who, having volunteered for temporary service abroad in the Naval or Military Forces of the Crown in connection with any Naval or Military operations previous to the late war, served in the forces during those operations for a period of not less than one year and died within three years of the termination of that period.

The following will also qualify for pensions:—

(*a*) The widows of such persons as fishermen and others, not brought into insurance until January 1st, 1929, who died between January 3rd, 1926, and January 1st, 1931, and as respects whom it is shown that within three years before the date of death or the date on which, by reason of age, contributions ceased to be payable, the normal occupation was an insurable one.

(*b*) The widows of men who were 70 before January 4th, 1926, and died on or after that date, provided the husband was at the time of his death, or would, if he had lived until July 2nd, 1926, have been entitled to a pension at 70 without the means test.

Widows who reach the age of 60 before January 1st, 1931, will receive pensions from July 1st, 1930, or from the 60th birthday if later.

Widows of 55 and under 60 on January 1st, 1931, will receive pensions from that date.

In the case of widows of men mentioned in paragraphs (*a*) and (*b*) above, if the marriage took place after July 25th, 1929, a pension will not be payable unless at the date of the man's death three years had elapsed since the date of the marriage, or unless immediately before the marriage the widow had had a widow's pension or would have been entitled to one if specified disqualifications had not then intervened. This, of course, is to prevent "December" and "May" marriages merely for the pension. Pre-1925 Act widows with children, whose pensions have lapsed through the age of the child, will also participate under this section, the pension mentioned earlier being revived at the age of 55.

A widow, however, is disqualified under this section (sect. 1 (1) of 1929) unless she was resident in Great Britain—

(*a*) on July 25th, 1929; and

(*b*) for a period of two years immediately before the date on which she would, but for the provisions above, have become entitled to the pension.

Old Age Pensions.

The 1925 Act provided for pensions at 70 without the means test for insured persons who attained the age of 70 after July 2nd, 1926. It also provided for pensions at 65 for both man and wife, provided that the man had to reach the age of 65 before the wife could participate. These were paid from January 2nd, 1928. The statutory conditions are—being continuously insured for five years prior to attaining the age of 65, otherwise five years' continuous insurance must be proved from date of entry into insurance, before pension is payable; also that 104 contributions have been paid since the date of entry into insurance, and that, during the three years immediately prior to the age of 65, an average of 39 contributions for each of the three years have been paid, or deemed to have been paid. The qualifying conditions as regards the average of 39 per year for the three years mentioned above do not apply in the case of a person who, when he attained the age of 60, was an insured person and had been continuously insured for a period of 10 years. This concession has been added by the 1929 Act.

Under the 1925 Act wives of men of 70 who attained that age after July 2nd, 1926, were granted a pension, but only at the age of 70. The 1929 Act makes a wife entitled to a pension at 65 provided she has been married for a period of three years, or she had previously had a widow's pension. This will take effect from January 2nd, 1930.

As from July 1st, 1930, a widow who has attained the age of 70 will be entitled to an Old Age Pension, without the means test, if she would have been entitled to a Widow's Pension under the provisions explained above had she not attained the age of 70 before the date of the alteration.

Emigrants.

The provisions regarding emigrants apply to persons who are in any part of His Majesty's Dominions outside Great Britain, whether they left Great Britain before or after the commencement of the Act (January 2nd, 1930).

Under the 1925 Act a pension was not payable while the pensioner was absent from Great Britain. Under the new Act, from January 2nd, 1930, if a pension would have been payable but for the residential disqualification, pension will be paid as if in Great Britain. If any such person as aforesaid dies or attains the age of 65 while he continues to be insured, or in the case of a person ceasing to be insured before the expiration of twelve months from the date when he last left Great Britain, then before the expiration of those twelve months, he will be entitled to a pension as in this country, provided the conditions are fulfilled.

The provisions as to continuation in insurance contained in the 1928 Health Insurance Act as regards pensions will apply, even though abroad, but if the insured person before the date when his insurance would cease, or if it had ceased within twelve months of the date when he last left this country, wishes to continue in insurance he may make application to continue as a voluntary contributor. As this class of voluntary contributor can derive no benefit under the Health Insurance provisions, only the pension contribution is payable: Men 9d., women 4½d. weekly.

Most of the regulations which apply to Voluntary Contributors for keeping in insurance in this country will also apply abroad. Special regulations, however, will be issued by the Minister later, and power is given to apply the provisions of the section to the special insurable classes, such as army, navy and merchant service. On returning to this country the insured person can resume fully under the Insurance Act. The question as to payments and intervals of payments are to be gone into with the Dominions concerned and regulations subsequently issued. If there is in force a similar scheme in the country concerned, the Minister may make reciprocal arrangements.

Various.

Regulations as regards procedure will be issued later by the Minister as regards all the new provisions. There are minor amendments also included in the Act. Certain classes of persons entitled to become Voluntary Contributors and persons in excepted employments will be brought in under this Act.

Incorporated Accountants' Benevolent Fund.

The President of The Incorporated Accountants' Benevolent Fund, Sir James Martin, gratefully acknowledges the receipt of the sum of £20 from an anonymous donor.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on January 23rd, 1930, when there were present: Mr. Henry Morgan, President (in the chair); Mr. E. Cassleton Elliott, Vice-President; Mr. R. Wilson Bartlett, J.P., Newport (Mon.); Mr. William Bateson, Blackpool; Mr. Henry J. Burgess, London; Mr. D. E. Campbell, Wolverhampton; Mr. Walter Holman, London; Mr. Thomas Keens, Luton; Mr. Ernest T. Kerr, Birmingham; Sir James Martin, J.P., London; Mr. C. Hewetson Nelson, J.P., Liverpool; Mr. James Paterson, Greenock; Mr. W. Paynter, London; Mr. Arthur E. Piggott, Manchester; Mr. G. S. Pitt, London; Mr. Alan Standing, Liverpool; Mr. Percy Toothill, Sheffield; Mr. R. T. Warwick, London; Mr. W. McIntosh Whyte, London; Mr. A. E. Woodington, London; Mr. A. A. Garrett, M.A., B.Sc., Secretary; and Mr. J. R. W. Alexander, M.A., LL.B., Parliamentary Secretary.

Apologies for non-attendance were received from Mr. W. Allison Davies, O.B.E., Mr. W. H. Payne, Mr. J. Stewart Seggie, Mr. A. H. Walkey, Mr. F. Walmsley, Mr. E. W. C. Whittaker, and Sir Charles Wilson.

DEATHS.

The Secretary reported the deaths of the following members:—Mr. William George Atkinson (Associate), Rugby; Mr. Hugh Wylie Auld (Fellow), Glasgow; Mr. Ernest William Ellis Blandford (Fellow), London; Mr. William Edward Bracher (Associate), Bristol; Mr. John Forster Burn (Associate), London; Mr. Edward Alfred Coombs (Fellow), London; Mr. Samuel Crook (Fellow), Darwen; Mr. Michael Bowyer Gardner (Fellow), Johannesburg (South Africa); Mr. Frederick Gibson (Associate), Birmingham; Mr. William Wiley Hetherington (Associate), Sheffield; Mr. Edward Stanley Moffat (Associate), Antofagasta (South America); Mr. Hugh Samuel Norton (Associate), London; Mr. Alexander Allan Rattray (Fellow), Sydney (Australia); Mr. Henry Toothill (Fellow), Sheffield.

ASSISTANT PARLIAMENTARY SECRETARY.

A sub-committee of the Finance and General Purposes Committee reported that they had appointed to the position of Assistant Parliamentary Secretary Mr. Ernest E. Edwards, B.A., LL.B., Barrister-at-Law. Mr. Edwards was educated at Downing College, Cambridge, and has been practising at the Bar in Liverpool.

INCORPORATED ACCOUNTANTS' HALL.

Mr. C. Hewetson Nelson, on behalf of Mr. John A. A. Berrie, A.R.C.A., presented to the Council a sketch made by him of H.R.H. the Duke of York

on the occasion of the opening of Incorporated Accountants' Hall. The sketch bore the autograph of His Royal Highness.

SPECIAL COUNCIL MEETING.

A special meeting of the Council was held on January 23rd preceding the ordinary meeting of the Council, Mr. Henry Morgan (President) being in the chair.

On the report of the Disciplinary Committee, George Henry Middleton, Associate, Whitley Bay, and John William Pendleton, Associate, London, were excluded from the membership of the Society in accordance with the powers contained in the Society's Articles.

PRESIDENT'S DINNER TO Mr. THOMAS KEENS

The President of the Society, Mr. Henry Morgan, gave a dinner at the Junior Carlton Club on January 22nd in honour of Mr. Thomas Keens, ex-President. There were also present Mr. R. Wilson Bartlett, J.P., Mr. W. Bateson, Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. W. Holman, Sir James Martin, J.P., Mr. C. Hewetson Nelson, J.P., Mr. James Paterson, Mr. W. Paynter, Mr. A. E. Piggott, Mr. Alan Standing, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. W. McIntosh Whyte, Mr. A. E. Woodington, Mr. J. Paterson Brodie, Mr. Ewart Morgan, Mr. William Strachan, Mr. Richard A. Witty, Mr. J. R. W. Alexander and Mr. A. A. Garrett. Mr. Henry Morgan proposed the toast of the guest of honour, and presented to Mr. Keens an illuminated Vote of Thanks for his services as President of the Society. Mr. Keens having responded, Sir James Martin gave the toast of the President, and expressed the cordial thanks of all present for his hospitality.

COMMERCE AS A CAREER.

Let nobody suppose that the problems presented to the schools by the acutely competitive conditions in modern business are easy to solve. To imagine that the substitution of book-keeping for Latin and shorthand for Greek in the public schools curricula is to meet the needs of employers is to reveal complete misconception; there are plenty of book-keepers and shorthand-typists seeking employment. It seems to us that the first essential is to broaden the students' outlook in order to dispose of the narrowness of mind that finds expression in deep-rooted prejudice against commerce as a career. When that has been done it should follow automatically that the boy who intends to go into business will desire to study subjects that have practical bearing on his future life work. He will acquire modern languages because he will wish to travel, study practical economics because they relate to trade conditions, master the mechanical arts of business methods to enable him to check his future employees, and bring to the study of geography and history the interest which their relation to commerce creates. Modern commerce needs leaders with broad outlook and well-trained minds, and it has a right to expect to get them from the schools and universities.—*Times Trade Supplement.*

The Society of Incorporated Accountants in Ireland.

ANNUAL MEETING.

The 27th annual general meeting of the Society of Incorporated Accountants in Ireland was held on January 8th, 1930, Mr. Robert Bell, Vice-President, being in the chair. Other members present were: Mr. James Boyd and Mr. Norman Booth (Belfast), Mr. W. A. Deevy (Waterford), Mr. O. J. Belton (Dundalk), and Mr. J. A. Kinnear, Mr. R. J. Kidney, Mr. A. H. Walkey, Mr. T. Condren Flinn, Mr. A. Cyril Storey, Mr. W. R. Clarke, Mr. W. H. Baskin, Mr. W. M. Budd, Mr. C. J. Dalton, Mr. J. G. Dowling, and Mr. A. J. Walkey, Hon. Secretary (Dublin).

President's Address.

Owing to the absence abroad of the President, Mr. C. P. McCarthy, M.Com., the Vice-President, read his address as follows:—"Before passing in review the principal events of the past year, I should like to place on record our sense of the great loss sustained by the Branch and the profession generally owing to the death of Mr. G. H. McCullough, of Belfast. Mr. McCullough was a gentleman of outstanding ability and of charming personality, who had attained an assured position in the Northern Capital. He found time in the midst of a busy life and the engrossing claims of his profession, to throw himself heart and soul into the activities of the Belfast and District Society—of which he was President for three years. We also regret to record the death of another of our members in Belfast, Mr. A. H. Oughton, son of one of the original members of the Society in Ireland. He was a young man of capacity and of quiet and unostentatious character, whose death in the early thirties is greatly regretted by all his colleagues.

As you are aware, the new Branches and District Societies Scheme came into operation on January 1st, 1929. The scheme will undoubtedly be of the utmost value in strengthening the Branch and District organisations, and in the maintenance of the Society's status, whilst, on the other hand, it will benefit the individual members and candidates for the Society's examinations by keeping them in close touch with the various activities in their respective areas. We have to thank Mr. Thomas Keens, the late President of the Society, for inaugurating and carrying through this scheme, which he made his principal object during his term of office, and he is to be congratulated on the fact that it has now been successfully put into operation. A notable event occurred during the year in the opening by the Duke of York of Incorporated Accountants' Hall, London, as the headquarters of the Society. This beautiful building on Victoria Embankment is now the permanent home of the Society, and it is satisfactory to know that practically the whole of the purchase money was obtained by a debenture issue taken up by members of the Society in every quarter of the globe. I would strongly recommend that those

members who visit London should take advantage of the facilities now made available for their use.

The Committee dealt during the year with numerous applications for permission to sit for the Society's examinations. The total number of candidates at Dublin and Belfast Centres in May and November, 1929, was 91, and the passes numbered 38, or 42 per cent. Although the standard of our examinations is very high, this ratio is not altogether satisfactory, as the average passes for candidates at all centres was 49 per cent. The Students' Societies are still in a flourishing condition, as is apparent from the number of lectures and papers for discussion read at the meetings. Every articled clerk should be an active member of a Students' Society, if possible. As a University lecturer, and speaking from my experience as such, I would say that not only should the students listen to papers, but they should be encouraged to write them, if for no other reason than that the writing of a paper, no matter how brief, on any subject coming within the scope of their duties in the practising accountant's office, requires reading and thinking, and the student who acquires the habit of committing his problems and difficulties to paper is taking the road that leads to success in examinations.

The dinner of the Irish Branch was held in Dublin in December, 1928, when we welcomed Mr. Ernest Blythe the Free State Finance Minister, as well as many notable citizens. Mr. E. Cassleton Elliott was present as representing the President, Mr. Keens, who was unable to attend on this occasion, and we were also pleased to welcome Mr. J. R. W. Alexander, M.A., LL.B., Parliamentary Secretary to the Society. The Belfast and District Society also held their annual dinner in December, 1928, the principal guest being the Right Hon. J. M. Andrews, D.L., J.P., Minister of Labour for Northern Ireland.

The year just closed has been a trying one for the industries of this country, both North and South, particularly for our main industry, namely, agriculture, owing partly to world conditions, but principally to industrial stagnation in Great Britain—our principal market. The outlook, however, is improving, and I have no doubt that the vigorous efforts that are being made by both Governments in Ireland to improve the quality and yield of all agricultural produce, will before long bring increased prosperity to this great industry. Agricultural depression re-acts unfavourably on all the other industries of the country, resulting in unemployment and emigration, and hence every effort made by the Governments of both States to improve agricultural conditions should receive the cordial support of every citizen. It is gratifying to note that one of the principal industries centred in Belfast, and for which that city is justly famous—Shipbuilding—is progressing, and the linen trade is making every effort to recover lost ground.

On November 1st last the Companies Act, 1929, came into force in Great Britain. This Act was based on the Report of a strong Departmental Committee set up by the Board of Trade under the chairmanship of Mr. Wilfred Greene, K.C., and on which our Society was represented by Sir James Martin. The Act embodies a great many changes in Company Law, and whilst it is true that many of these changes are designed to meet conditions and circumstances which pertain in England to a much greater extent than in Ireland, it is generally agreed that Company Law in this country also requires drastic revision, and it is hoped that it may not be long before Acts on similar lines are passed in the Irish Free State and Northern Ireland. The terms of reference of the Irish Free State Bankruptcy Commission, which should shortly be issuing its report, included the Liquidation of Joint Stock Companies, and it will be interesting to learn what recommendations are made in this connection, but the provisions of the remaining and major portion of Company legislation should be dealt with as soon as possible.

The Vice-President then proposed the adoption of the statement of accounts for the year ended July 31st, 1929. The resolution was seconded by Mr. J. A. Kinnear, and duly passed.

The election of officers for the ensuing year then took place, the result being as follows:—President, Mr. Robert Bell (Belfast); Vice-President, Mr. J. A. Kinnear (Dublin); Hon. Secretary, Mr. A. J. Walkey (Dublin); Hon. Auditor, Mr. T. Condren Flinn, F.C.A., F.S.A.A. (Dublin).

The three members of the Committee retiring by rotation, namely, Mr. R. J. Kidney, Mr. Norman Booth, and Mr. Robert Bell, were re-elected.

The proceedings terminated with a vote of thanks to the outgoing President, Mr. C. P. McCarthy, M.Com., proposed by Mr. A. H. Walkey, seconded by Mr. Norman Booth, and carried with acclamation.

Correspondence.

CHANGES IN COMPANY LAW—COMPANIES ACT, 1929.

To the Editors *Incorporated Accountants' Journal.*

SIRS,—I have seen no reference in the *Journal* of any query regarding the practical working of sect. 23, which says that the company shall "on being so required by any member send to him a copy of the Memorandum and of the Articles, if any, and a copy of any Act of Parliament which alters the Memorandum. . . ." It would appear from the wording that a copy of the Act is to be supplied on payment only if the Act alters the *Memorandum.* There is no mention of the Act being suppliable if the Articles are altered.

I cannot conceive of an Act which would in many cases alter the Memorandum, but this Act does, and any subsequent Act might, alter a large number of the Articles. The question arises in my mind as to whether the word "Memorandum" here is intended to include Articles.

I shall be glad if you will let me have your views upon this point.

Yours faithfully,
A. CHAPMAN.

December, 1929.

[Our Correspondent's letter is not clear. Sect. 23 appears to be carefully worded. The relation of the new Act to a company's Articles is dealt with in Professional Notes.—EDS., *I.A.J.*]

FRIENDLY SOCIETIES REPORT.

Unqualified Auditors and Defalcations.

The following are extracts from the Report of the Chief Registrar of Friendly Societies for the year 1928 :—

UNQUALIFIED AUDITORS.

The Friendly Societies Act, 1896, requires that every registered society and branch shall once in every year submit its accounts for audit either to one of the public auditors appointed by the Treasury or to two or more persons appointed as the rules of the society or branch provide.

The public auditors are now, with few exceptions, qualified accountants, and they undertake the work at a moderate fee according to a prescribed scale. Each year the examination of annual returns furnishes further evidence of the advantages to be derived from their employment.

Cases continue to arise in which losses are directly attributable to the incompetence of unqualified auditors, most of whom appear to be quite unaware of the responsibilities attaching to their office. In order to combat this ignorance, the following note was prefaced to the attestation in the annual return form for the year 1927 :—

> "The attention of the auditors is drawn to the wording of the certificate which they are required to sign. A person who signs the certificate without verifying the return with the accounts and vouchers relating thereto and without taking proper steps to satisfy himself that it is otherwise in accordance with law is guilty of an offence punishable with a fine not exceeding £50. If, therefore, a person who is asked to act as auditor does not feel qualified to carry out a proper audit, he should refuse to act."

There was evidence during the year that this warning was having the desired effect and had brought some lay auditors to a realisation that their signatures to an annual return represented more than a mere formality. The returns of the Eye Friendly Society had borne the signatures of two lay auditors for several years, but the return for 1927 was placed in the hands of a public auditor, as the secretary informed the Registrar that "the two mentioned herein (the lay auditors) feel that they are absolutely incompetent to conduct the audit of the society." The public auditor found it necessary on investigating the society's books to make adjustments for various errors which had crept into the accounts from the year 1921 onwards.

The returns of the Worth Village Working Men's Club and Institute for the years 1921-1925 had been audited by two lay auditors, one of whom described himself as an accountant, but the 1926 annual return was sent back for correction as it contained many obvious errors. The club consulted a public auditor, who found it necessary to draw up a revised balance-sheet for the year 1926 before he could compile a satisfactory return for 1927. It was apparent from his remarks as to the discrepancies between the 1926 return submitted to this office and the particulars in the club's books that the audits conducted in previous years had been of a perfunctory nature.

The annual return for the year 1927 submitted by the Star in the East Lodge No. 10W, L.O.A.S.A.U. showed in the balance-sheet an item "Suspense Account, £75 6s." It appears from the auditors' report that the item was originally shown as "depreciation," but that as they could not understand it they had carried it in suspense pending further inquiry. The item had apparently some connection with a bank overdraft which the auditors stated had not been shown in the annual returns for the past three or four years. These auditors had, however, certified the annual returns for those years without comment. Subsequently the accounts of the lodge were investigated by the secretary of the district of the Order of which the lodge forms part. He found that the item of £75 6s. represented deficiencies in the management and medical funds. The deficiencies were covered up by the treatment of advances from the bank as income and the omission of any liability to the bank. During 1927, however, the lodge sold some property, and when the money was paid into the bank the overdraft was liquidated. The lodge secretary then found that he was unable to make his books balance and attempted to put things right by treating £75 6s. as depreciation.

If the lodge auditors had been competent they would have discovered the errors made by the secretary in the first year in which they occurred and suitable measures could have been taken to deal with the situation. Instead, the lodge now finds itself with a deficit of £52 16s. in its medical fund and a deficit of £27 7s. 6d. in its management fund.

Another instance of incompetent auditing is afforded by Press Forward Tent No. 2277, I.O.R.S.U. The accounts of this branch for 1927 were audited by two auditors appointed by the executive committee of the district to which the branch was attached. In their special report the auditors stated that the assets shown in the balance-sheet of the return for 1926 (£50 in Public Funds, £70 in the Preston Savings Bank, and £7 in the District Bank) were false and that the only "true" assets were £5 in the Investment Fund of the Preston District, I.O.R.S.U. and £2 2s. 2d. in the Post Office Savings Bank. It appeared that names of persons who were not members had been entered in the books, and that the names of persons whose membership had ceased had not been removed. Contributions had been entered in respect of these fictitious members which had not been received, consequently a large part of the funds as shown in the accounts had never existed. The accounts were put in order by writing off £130 1s. 5d. as "Arrears of Contributions entered in error as receipts." The returns of this branch for the ten years preceding 1927 had shown £50 as invested in Public Funds and the investment in the Preston Savings Bank had been shown at increased amounts each year. During the ten years the returns had been audited by various persons who had certified that the returns were correct and duly vouched. It is obvious that these persons had given false certificates, but owing to the lapse of time it was not possible to take proceedings against them.

Inquiries regarding the treatment of the balances of two small unregistered funds belonging to a Scottish branch of an Order led to the discovery that there was another fund—a so-called "Building Fund"—which had been excluded from the annual returns. This "Building Fund" represented partly subscriptions from members and others towards the cost of property bought by the branch, and partly surplus revenue from the property. Further inquiries were made, and in consequence the accounts for the past three years were reconstructed by a Chartered Accountant, with the result that in the 1925 annual return :—

(i) The value of land and buildings was increased from £1,836 to £2,966 ;

(ii) An investment of £700 in the Glasgow Corporation, which apparently had previously been

included in "land and buildings," appeared among the assets;

(iii) The balance in a savings bank was increased from £73 to £103 and the cash in hand from £2 to £48;

(iv) Liabilities to building contractors (£583), loan-holders (£70), and a bank overdraft of £963 appeared as liabilities; and

(v) Funds were increased from £1,912 to £2,202.

Corresponding adjustments had to be made in the return for 1926, the principal differences being that during the year the building contractors had been paid, so that an increased bank overdraft of £1,309 fell to be included among the liabilities; and the year's surplus of £126 on the property revenue account also had to be brought into account. Adjustments of a similar nature were also made in the 1927 annual return. The returns had been audited by lay auditors, and an unqualified certificate had regularly been given. On the advice of the Assistant Registrar the branch has undertaken to employ a public auditor in future.

The annual return of a Scottish Lodge, also audited by lay auditors, showed an investment in property written up by £35 14s. The increase, in fact, represented the excess of rents over the outgoings for the year, and the bank balance as shown in the return was found to have been understated by the same amount. Correction of the return was obtained.

AUDITORS' SPECIAL REPORTS.

When auditors make special reports drawing attention to serious irregularities it is the Registrar's practice to institute inquiries with the view of ensuring that measures are taken to have matters put on a satisfactory footing. Usually it is found that the necessary measures have already been taken, but occasionally management committees and trustees are so lax that no attempt is made to remedy matters until the Registrar intervenes. In the case of a branch, Court Manor House No. 1491, A.O.F., the laxity of those responsible for its management had unfortunate results. The accounts of the branch for 1925 were audited by a public auditor who reported, among other things, that repayment of income tax had not been claimed; that the treasurer's book was kept by the secretary, thus destroying any internal check; that contribution cards had not been received; that the bank balance shown could not be reconciled with the bank pass book; and that the amount shown as due to the treasurer could not be verified. No reply was received to the Registrar's request for explanations and apparently nothing was done by those responsible for the management of the branch, for it became necessary to threaten prosecution in order to obtain the annual return for 1926, and when this was received it was found that the public auditor still found it necessary to report on the matters mentioned and in addition to comment on the non-receipt of interest; the absence of vouchers for sickness benefits paid; the incomplete records in the contribution book; and the failure to make regular payments to the bank. In the meantime the branch's valuation as at December 31st, 1925, was received, and it was found that the contributions actually received were very much less than the valuer's estimate on the basis of the contributions chargeable according to the rules. The Registrar communicated with the trustees of the branch and with the head office of the Order, and in consequence a special investigation of the affairs of the branch was made. It was then found that the secretary had withheld contributions amounting to over £150. Proceedings were taken against him for withholding £69 16s. 3d., and he was ordered to pay a fine of £2 and £10 costs and to repay £60 or be imprisoned for two months; £51 3s. 4d. was recovered and a grant of £50 was received in respect of the defaulter's guarantee, but these amounts barely covered the costs of the special investigation and the prosecution, so that the branch lost practically all the contributions withheld. If action had been taken immediately on receipt of the public auditor's special report on the accounts for 1925 the loss would have been considerably less. It is worthy of comment that in spite of the branch's recent experience the public auditor found it necessary to conclude his report on the accounts for 1928 with the following:—

> "It is time that the Trustees of the Court realised their responsibilities and made a serious attempt to get the books of the Court on a sound and accurate basis. A satisfactory audit of the books is impossible in their present condition."

DEFALCATIONS.

A number of annual returns submitted during 1927 contained evidence of losses sustained by societies owing to defalcations by their officers and others. In many instances it was again found that the employment of inefficient auditors and lack of supervision by committees enabled officers to plunder the funds for long periods without discovery. The defaulters were frequently persons in poor circumstances, particularly in the case of working men's clubs, and consequently the societies unable to obtain any repayment had no recourse but to write off the amounts involved as total losses. In most cases the irregularities could have been checked at an early stage by efficient supervision.

The following are some of the more serious cases which came to light. Proceedings in all instances were instituted by the Director of Public Prosecutions, to whom the cases were reported by the Registrar.

(1) *Lily of the West Friendly Society.*—The greater part of the funds of this society were invested on mortgage, most of the business having been conducted by the same solicitors for thirty years. A sum of £475 was found to have been misappropriated by one of the partners, and it was discovered that this represented only one of many similar offences. Proceedings against the partner resulted in a sentence to a term of imprisonment. On the bankruptcy of the firm the society registered a claim with the Official Receiver, but up to the present nothing has been recovered.

(2) *Bridgend and District Investment and Loan Society.*—The secretary of this society was late in sending in the annual return, and it was ascertained from the public auditor that audit of the accounts was delayed owing to the failure of the secretary to write up the books and supply necessary information. The Registrar was later informed that the officer had been suspended and that an investigation was being conducted into the society's affairs. As a result it was discovered that the secretary was responsible for defalcations amounting to over £1,000. It appeared that it had been the practice of the society to make short term loans on varying securities and that such loans, totalling £1,350, had been made to the secretary. His account showed substantial sums credited by way of repayment, but he admitted that a considerable part of the money credited represented repayments made by other borrowers who, although they had repaid the whole of their loans, were still shown in the books as debtors to the society. As a result of proceedings against the defaulter, he was committed for trial and, pleading guilty to charges of forgery and embezzlement, was

sentenced to six months' imprisonment in the second division.

(3) *Printers' Medical Aid and Sanatoria Society.*—In the Mansion House Justice Room on December 3rd, 1928, Arthur O'Connor, formerly secretary of the society, pleaded guilty to charges of falsification of accounts involving defalcations amounting to £1,413 1s. 1d.

Various vouchers for expenditure for previous years had been altered by the defendant and used for the year 1927, and the Annual Return to the Registrar for that year had been falsified and the signatures of the auditors forged.

He was sentenced to six months' imprisonment in the second division.

(4) *Loyal Duke of St. Albans Lodge No.* 2886, *I.O.O.F.M.U.*; *Loyal Lions Down Lodge No.* 5486, *I.O.O.F.M.U.*; *and Loyal Steel Anchor Lodge No.* 5487, *I.O.O.F.M.U.*—In the first of these lodges, as a result of investigations, it was discovered that the secretary had defaulted to the extent of more than £5,000. He had withheld moneys received on account of mortgage repayments and interest to the extent of £3,500, and there was a shortage of £1,800 in the lodge's investments in Government Loans. The defalcations covered a period of more than ten years. The auditors in their special report stated that in their opinion the defalcations should have been discovered years before if the previous auditors had taken the elementary precautions of (*a*) verifying the balances shown as outstanding in the mortgage ledgers with the respective borrowers; (*b*) ascertaining that the individual mortgage balances in total agreed with the amount shown in the balance-sheet as invested on mortgage; (*c*) properly reconciling the cash at bank with the lodge books; (*d*) checking the Savings Bank pass book against the account in the ledger; and (*e*) verifying the amount invested in Government Loans with the investment certificates issued by the Post Office in respect of stocks inscribed on the Post Office Register.

The defaulter was also secretary of lodges 5486 and 5487, which he defrauded of £1,490 13s. 1d. and £1,771 14s. 1½d. respectively. In lodge 5486 the defalcations arose mainly in connection with mortgages, receipts in respect of which had been withheld, while in lodge 5487 they had been covered mainly by the entry of fictitious investments in Funding Loan. In both lodges there were also misappropriations by way of unauthorised cheques, and it appears that these were facilitated by the foolish practice of issuing to the secretary blank cheques already signed.

Proceedings against the defaulter, who pleaded guilty to three charges of embezzlement, resulted in a sentence to imprisonment for two months in the second division on each charge.

(5) *City of Newcastle District, L.O.A.S.A.U.*—An investigation into the accounts of this branch for the year 1926 and the two following years revealed a total deficiency of £2,438 5s. 11½d., of which the late secretary of the branch was responsible for £1,613 6s. 10½d. The remainder of the deficiency represented loss on sale of a mortgaged property and depreciation on re-valuation of stationery, &c. The defaulter was prosecuted and sentenced to imprisonment for six months. Nothing was recovered.

The Abuses of Limited Liability in Company Flotation.

A LECTURE delivered to the Belfast and District Society of Incorporated Accountants and Auditors by

Mr. ROBERT BELL, F.S.A.A.
(*Vice-President of the Irish Branch*).

Mr. BELL said: The Companies Act of 1862 has been described as the Magna Charta of co-operative enterprise, and it is under that Act as amended and extended from time to time that Limited Companies as they exist to-day are permitted to function. The various Acts were consolidated in 1908, and until November 1st, 1929, this Consolidation Act ruled all Joint Stock enterprises in Great Britain and Ireland. Since November 1st, 1929, the new Companies Act of 1929 is the governing factor as regards England and Scotland, but both the Irish Free State and Northern Ireland are still observing the Act of 1908.

The principle of the 1862 Act was to secure a basis by which persons who pooled their resources and united in enterprise would obtain the greatest freedom in the conduct of that enterprise and in the control of those resources with the assurance that the Capital subscribed would be their maximum risk, whilst at the same time their creditors and all outside concerns would know that the risk of the proprietors was limited.

Lord Wrenbury, in a letter to *The Times*, says that the principle first established in 1862 has never been varied except in detail and that all subsequent legislation has been directed to correct abuses and never to alter the basis. He groups the alterations and improvements under the headings "Control" and "Disclosure," remarking that one of the results of the Joint Stock system was that shareholders (principals) have too little knowledge and control of their own affairs. I lay stress on the words "directed to correct abuses," because in theory the principles of Joint Stock enterprise are said to be both sound and economically beneficial, although in practice they often fail because those selected to represent the shareholders in the management are not fitted to occupy their posts.

The object of my paper is to place before you for your consideration some of the abuses which have existed, and still exist so far as Ireland is concerned, in the administration of the Companies Act.

It is an accepted principle that legislation will not save a fool from the results of his folly and also that honesty cannot be obtained by legislation, but it is regrettable that the truly astounding apathy of shareholders regarding the conduct of companies in which they are interested presents the opportunity and even invites dishonest persons to conduct considered schemes for the entrapment of fools and unwary investors.

Viscount Sumner, in a taxation case, has said: "It is trite law that H.M. subjects are free, if they can, to make their own arrangements that their cases fall outside the scope of the Acts. They incur no penalty and, strictly speaking, no moral censure if, having considered the lines drawn by Legislature, they make it their business to walk outside them." This dictum must be recognised as applying equally to Company Law, and it is of legal abuses, if I may use the term, with which I want particularly to deal.

I would like, in passing, to suggest to you the query, "Has Limited Liability been proved indispensable to industry?" I do not answer the question, but it is

worthy of consideration that untold wealth, time and material have been expended during the past 67 years in the quest of a proper working basis comformable to the changing times which would ensure and legalise those magic words—"Limited Liability." Can liability be limited in the broad sense? If a liability exists, must not some person meet it, and does not some person meet it? Is not Limited Liability a myth, and in itself an abuse of all ethical and honourable commercial enterprise, suggesting in its very name an object which cannot be attained, and should never be encouraged, much less legalised?

I would remind you of those lines of Sir W. S. Gilbert, in the opera "Utopia Limited": "Some seven men form an Association. They start off with a public declaration to what extent they mean to pay their debts. That's called their Capital. They then proceed to trade with all who'll trust 'em—quite irrespective of their Capital. If they come to grief they merely file a winding-up petition and start another Company at once, and the Liquidator says: 'Never mind, you needn't pay, you can start another company to-morrow.'"

It is surely a commentary on this quotation when I remind you that statistics of 250 of the 280 public offers made in England in 1928 shows:—

Cash Values	£74,000,000
Present Market Value	48,000,000

The 74 millions included 30 issues par value 5 millions, not now quoted on the Stock Exchange, and eleven issues of 1¾ millions par value, now a purely nominal market. The bulk of this 6¾ millions is lost, and of the remaining 67¼ millions the public have lost 20 millions, or one-third of the Capital invested. Limited Liability with a vengeance.

Adopting for convenience the term "legal abuses," I would divide my remarks into sections dealing respectively with Prospectuses, Administration, Balance Sheets, and Liquidations. In our consideration of the abuses under these headings, I will, as occasion arises, indicate any means proposed for their abatement by the Companies Act of 1929.

Prospectuses.

Sects. 80 and 81 of the 1908 Act made regulations as to the issue and filing of Prospectuses, also the particulars to be contained therein. The fundamental rule of a Prospectus is to observe strict and scrupulous accuracy, bearing in mind that, although the promoters or directors know all about the intended company, the public only learn the details which it is thought fit to put before them. So long, therefore, as accuracy is observed, the law is obeyed, and the law only deals with a prospectus issued "by or on behalf of a Company."

If a Company allots the whole of a proposed issue to some other Company or individual, who thereupon issues the shares to the public, the Prospectus is not issued "by or on behalf of the Company," and the persons issuing it do not incur the responsibilities of directors. The 1929 Act makes such an offer equivalent to a Prospectus, the persons making it equivalent to directors, and further enacts that such offer must state the consideration received, or to be received by the Company, in respect of the shares in the offer.

If a Company places its shares by means of a house-to-house canvass no liability devolves on those making the offer, so another method is presented of evading the law as to prospectuses. The 1929 Act prohibits such a canvass, so presumably we may anticipate an influx to Ireland of share hawkers. Incidentally, it may be remarked that such canvass is now done in England by telephone, and that as the word office is omitted from the new Act, the rule in future will apparently be: "Don't discuss shares except in the office."

The Prospectus must state the minimum subscription on which the directors may proceed to allotment, but the subscriber has no guarantee that the allotment will not take place before the Company has sufficient funds for its purposes, in fact the minimum subscription may be placed even at seven shares.

The 1929 Act requires the directors to state the amount which in their opinion must be raised in order to provide for purchase of property proposed to be purchased out of the issue, preliminary expenses, commission, repayment of borrowings, and working capital, and the Act prohibits an allotment until the amount so stated has been paid to and received by the Company.

A Company cannot issue its shares at a discount, but this can be got over by paying a commission on the shares. This commission may be 99 per cent. if the Articles do not restrict it, and the financial effect is similar to the shares being issued at a discount. The 1929 Act prohibits a commission in excess of 10 per cent. and provides for the commission being disclosed in the Prospectus. This Act also legalises for the first time the issue of shares at a discount subject to the sanction of the Court. This, by the way, is the only departure in the 1929 Act from the principles laid down in earlier Acts.

The Act of 1929 does not provide a remedy for the abuse in alloting shares as payment for property worth on the market less than their par value, nor does it remedy the issue of shares of a low nominal value carrying the same rights as shares of a higher nominal value, which are other methods equivalent to the issue of shares at a discount.

A Company may not purchase its own shares, but this is legally nullified by granting a loan for the purchase of shares. Here, again, the 1929 Act controls this abuse by prohibiting the practice.

Perhaps one of the greatest abuses in the issue of Prospectuses is that ingenious product known as an Abridged Prospectus with an application form attached. Certain vital points, such as voting and dividend rights of low denomination shares, are omitted and the unwary investor is caught. The 1929 Act prohibits the issue of an application form unless accompanied by a Prospectus, and this Prospectus must contain full particulars of the voting and dividend rights of all shares.

A good example of accuracy complying with the provisions, but defeating the objects of the Acts, is a statement in a Prospectus that the average profits for a specified period have been a certain figure, a statement which is accurate enough but is capable of concealing a gradual diminution. The 1929 Act requires a report by the Auditors as to the profits and dividends for each of the three years immediately preceding the issue of the Prospectus.

The Act of 1929 apparently does not deal with cases where shares are offered to the public and there is no privity between the Company and the vendors.

Administration.

In the matter of administration the shareholders of a Company are in the hands of the directors, and it is regrettable that the 1908 Act admits of many abuses on the part of directors. A bankrupt, although prohibited from trading on his own account, may be a director of a limited company. A director's remuneration need not necessarily be disclosed. The Articles of the Company

may indemnify a director against liability for negligence, &c. He may, subject to the Articles, assign his office to another person, and even a limited company may be a director or the sole director of another company if it has the requisite power.

Directors are said to be the trustees of the Company's money and property and at the same time agents of the Company in the transactions which they enter into on its behalf. This dictum may not be generally accepted, but at any rate it will be admitted that they occupy a fiduciary position. Nevertheless, they are not prohibited by the Acts from realising private profits from the purchase and sale of the Company's shares and subject to the Articles they may contract at a profit with the Company itself. A director may, indeed, act without his qualification and the Company has no remedy unless it proves damages. Directors may resign at any time and their resignation may, often does, cause a serious fall in the value of the shares. They are then free to use their previously attained inside knowledge to their own advantage.

The Legislature had great difficulty in providing for the liabilities of directors, and I think recent statements by Sir William Plender and Mr. Thomas Keens are peculiarly illuminating as evidencing that difficulty. Sir William Plender thinks that if legislation is too severe on directors, it is obvious there will be extreme difficulty in obtaining the most desirable class of men to serve on boards, while Mr. Keens is of opinion that what would then happen would be that a directorship would become an admirable post for a man of no substance, but an impossible position for a man of wealth, as the penalties would be altogether too severe upon him.

The Courts have always been alert to protect the interests of the minority, and possibly one of the best illustrations of this protection is where the Court intervened in a case to prevent directors holding 55 per cent. of the shares, exercising their power as directors to select as transferee of their shares a rival Company; but aggrieved shareholders are often loth to embark on litigation, so the 1929 Act is interesting in its attempt to prevent the most glaring abuses on the part of directors and in the penalties which it imposes for breaches of the regulations.

An undischarged bankrupt acting as a director exposes himself under 1929 Act to imprisonment or fine unless he obtains the sanction of his Bankruptcy Court. Provision is also made for the disclosure of directors' fees in the Company's accounts, and for disclosure of the total directors' remuneration if demanded in writing by one-fourth of the voting power of the Company subject to right of the Company to resolve that the information be not given. Abuses in connection with remuneration are therefore by no means prevented, and I think you will agree the procedure which must be observed will result in the regulation becoming a dead letter.

Under the 1929 Act an Article of Indemnity in favour of Directors is void, but here, again, we have a provision, and it is intimated that the Court have power to give relief on being satisfied that the actions involving negligence were honest and reasonable and that in all the circumstances the directors ought fairly to be excused.

It is important to remember that there is no limitation to the number of directorships a single individual may hold. This is a matter which often leads to abuse, as a busy man may be placed in the position of permitting his name to inspire confidence, while leaving the administration of the Company to colleagues who are not acting honestly. In such a case, when the damage is done the innocent director retires, but it is too late to avoid the resultant trouble. Liability only attaches to a director if he willingly or knowingly is a party to misfeasance.

Perhaps one of the greatest abuses of limited liability lies in the fact that the 1908 Act contains no provisions requiring a Company to keep accounts. It is only by inference and vague generalisations that accounts are required at all. The 1929 Act corrects this anomaly and sets out the particulars now required in such a way that opinions differ as to whether or not they involve keeping elaborate cost accounts. The Act penalises a director for non-compliance by imprisonment or a fine, and in a special section dealing with offences antecedent to winding up actually defines the term "proper books of account."

The ease with which directors can be interested parties in contracts with their Companies is another avenue admitting of serious abuse, and it is remarkable that on a proposed sale where directors are to receive compensation for loss of office there is no liability on them to disclose the amount of such compensation to their shareholders. This matter is remedied under the 1929 Act, and particulars of the proposed payment, including the amount, must be disclosed to the members and approved by them. The new Act also requires a director interested directly or indirectly in a contract to declare the nature of his interest at a meeting of the directors. It is not altogether clear that even this provision effectively deals with the case where a Company placing contracts insists on supplies being obtained from a specific Company, in which, of course, certain officials of the Company placing the contract have shareholdings. This is an illustration of the impossibility of legislating for all conceivable contingencies.

I would also mention that directors can quite legally borrow money from their Companies throughout the year without necessarily making any disclosure to the shareholders, and, of course, you know the old device of borrowing money outside, buying up shares, re-constituting the Board, and then repaying the loans out of the funds of the Company. Under the 1929 Act loans to directors, even if repaid, are to be shown in the accounts, and, as I have already stated, loans for the purchase of shares are prohibited.

The secrecy with which directors can surround the affairs of a Company is surely responsible for many of the abuses commonly connected with the administration of Companies. It seems often to be taken for granted that shareholders should only be given the minimum information, and that even that limited knowledge should be conveyed in the terms and by the means which directors think best suited to the presumably inferior intellects of the shareholders. We are repeatedly told that full disclosures would be utilised by competitors, but surely those persons that supply the Capital are entitled to reasonable details from the persons to whom they have entrusted it. We are told that there are some 100,000 Companies in England, Scotland and Ireland, and we know that all industries of importance are represented. If they all publish the same information, does not this argument against secrecy fail, and is not the truth of the saying "Competition is the life of trade" being emphasised from day to day?

The position as regards foreign competitors no doubt presents difficulties, but just think of the advantages which would accrue if statistics could be compiled enabling comparison of vital figures to be drawn from year to year of different sections of commercial enterprise. Municipal Accounts, Insurance Accounts, Railway Accounts, and

Accounts of Public Utility Companies have all to be prepared in statutory form. Do any great disadvantages result? Is not our Legislature to blame in failing to provide us with figures which, properly tabulated, would be of inestimable value, especially in these days when there is so much talk of rationalisation?

In recent days we have examples of large trading Companies becoming in a short period of time what we now know as holding Companies, and the shareholders are often the last to know of the change. We have a recent example where a sudden collapse of financial houses disclosed to many that what they thought was a trading Company was, in reality, a large trust Company, or, as someone has said, a huge pawnshop.

It is admitted that the 1929 Act makes a definite advance towards greater detail and less secrecy, but an amendment moved during the passing of the Act is pregnant with meaning in spite of its sarcasm. The amendment (moved to what was then the 1928 Act) declared the Act "An extreme example of legislature by reference, which would make the law unintelligible, fail to secure sufficient publicity from Companies, both public and private, and fail to deal with the weaknesses in the law relating to Companies." The Act was, of course, afterwards consolidated with the earlier Acts, but even Lord Wrenbury is guarded in his praise, saying that while it may be we have not yet seen the last of provisions requiring fuller disclosure, we gratefully recognise that 1862 introduced and 1929 has consolidated a system which has proved to be of great value both to the investor and to commerce.

To close my references to abuses in administration, perhaps I should mention that of the defaulting underwriter. In a recent case the Capital offered was £175,000. The Underwriters defaulted to the extent of £150,000 and were paid £11,700 for handling the issue. Is there a penalty to fit the crime?

Balance Sheets.

Abuses of limited liability legislation can, unfortunately, be practised in connection with Balance Sheets. The Act of 1908 does not define a Balance Sheet and, as you are aware, the provisions of that Act do not allow the auditor a great deal of latitude. The Balance Sheet is prepared technically by the directors, and it only remains for the Auditor to state:

(1) Whether or not he has obtained all the information and explanations he has required, and

(2) Whether in his opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of his information and the explanations given to him and as shown by the books of the Company.

An auditor technically has no right to alter a Balance Sheet. His only remedy for any inaccuracies is to mention such in his report. A weak auditor can simply state, "Subject to my report of even date addressed to the Directors," and it remains for the shareholders to get what information they can from the directors. The secrecy bogey is again brought forward and no action is taken. What a position!

Consider the following recent statement of Assets in a published Balance Sheet:—

Freehold and Leasehold Properties, Furniture, Fixtures, Plant and Machinery, China, Glass, Linen, Plate, &c., as per last Balance Sheet	£1,612,576
Stocks and Debtors' Balances	55,514
Cash at Bankers and on hands	25,153
	£1,693,243

With such an omnibus first item one wonders why it was even necessary to set out £80,000 in two separate items. Yet the Balance Sheet is a true and correct statement according to the Auditors.

Like the poor, auditors are always with us, and while they are always with us I suppose they will always get their share of blame. Their position is settled by statute and by Case Law; nevertheless, that important organ *The Times* states: "Competition amongst Auditors, it is supposed, is largely responsible for the brevity of their Certificates."

In recent years we have had a wonderful succession of reductions of Capital consequent on accumulated losses. Far be it from me to pillory the Auditors of those unfortunate concerns, but surely the spirit of limited liability legislation has been abused somewhere, when after a period of apparent prosperity, three of our largest concerns have suddenly to admit that £29,000,000 has disappeared. Were previous Balance Sheets true and correct statements within the spirit as apart from the letter of the Act?

The term "Auditor" has not been defined, or rather, I should say, his position in the Company has not been defined; thus, in Parliament, when discussing the new Act, Sir John Pennefather mentioned that in three cases before the Courts, one held the Auditor to be an officer of the Company, the second held that he was not an officer, and the third held that in certain circumstances he might be an officer. It was then thought that a clause would be introduced definitely settling the point, but the 1929 Act leaves the matter indefinite, as the section prohibiting the Indemnity clause to which I have already referred states that it shall apply to "any person (whether an officer of the Company or not) employed by the Company as auditor." Another section debars a director or officer of the Company from being Auditor.

Secret reserves are capable of being termed an abuse of limited liability because the true position of the Company is not revealed. The dictum in a leading case was that the purpose of a Balance Sheet is primarily to show that the financial position of the Company is at least as good as there stated, not to show that it is not or may not be better. Surely this is a dangerous dictum and antagonistic to the words in the Act, "a true and correct statement."

So far as we (in Ireland) are concerned, abuses in the presentation of Balance Sheets will continue, but the 1929 Act in England and Scotland thoroughly overhauls the law relating to Balance Sheets and should go far to correct the abuses in those countries. Important points are:—

(1) Such particulars are to be given as are necessary to disclose the general nature of the liabilities and assets.

(2) A distinction is to be made between the amounts for fixed assets and those for floating assets, and a statement made as to how the valuations of the fixed assets have been arrived at.

(3) Separate items are required for Preliminary Expenses, Expenses of raising Capital, Goodwill, Patents, and Trade Marks.

(4) Statement is required of liabilities secured on assets otherwise than by operation of law.

(5) Separate items are required for shares in Subsidiary Companies and for debts due to or by those Companies.

(6) Separate items are required for loans to a Director or Officer.

These requirements do not specifically deal with secret reserves, but it is doubtful if they can now remain undisclosed, bearing in mind that the Act requires liabilities and assets to be stated with such particulars as are necessary to disclose their general nature.

An important section appears in the 1929 Act imposing imprisonment and a fine on any person who, in a Balance Sheet, wilfully makes a statement false in any material particular, knowing it to be false. This Act no longer permits an Auditor's Report to be separate from the Balance Sheet, and it confers on the Auditors the right to attend any meeting at which their accounts are being considered and to make any statement or explanation they may desire with reference to the accounts. This Act also places on the Auditor the responsibility of supplying in his report information as to loans to Directors and Officers if they are not mentioned in the Accounts.

You are all acquainted with the abuse whereby the same statement in the form of a Balance Sheet can be filed with the Registrar year after year. The 1929 Act provides for the filing of a certified copy of the last Balance Sheet.

The 1929 Act provides for the production of a Profit and Loss Account, but as the document is not defined it may be presumed that the presentation of valueless or even misleading statements will comply with the Act. It is also doubtful if some of the provisions as regards the method of valuing assets are of any value save in theory, as apparently the words "Cost or market value, whichever is lower," "Cost less Depreciation," or "as certified by," will be sufficient to comply with the statute.

Subsidiary Companies and Holding Companies are terms now greatly in use as signifying companies controlled by another company on the one hand, and the company exercising such control on the other hand. These companies were only in their infancy in 1908, but they now occupy an important position in modern commerce, so much so that there are Corporations in existence owning up to 200 companies each.

With the development of this class of Company, innocent enough and legal enough in itself, we have widespread abuses of the principle of limited liability. Different balancing dates give a wide scope for window-dressing in Balance Sheets, whilst losses in subsidiary companies do not necessarily appear in the Accounts and Balance Sheet of the holding company. Moreover, the price paid by the holding company for their subsidiary was no index of the value of that investment.

The publication in many cases of a consolidated Balance Sheet as a satisfaction of an insistent public demand was worse than useless and even seemed to make confusion more confounded. It is, therefore, that so far as England and Scotland are concerned, we welcome the requirements of the 1929 Act as to details to be given in the Balance Sheet of the holding company.

The Act also provides that there shall be annexed to the Balance Sheet of the holding company a statement as to how the profits and losses of subsidiary companies have been dealt with in the accounts of the holding company, and as to the extent to which provision has been made for the losses of subsidiary companies. Apparently it will be sufficient to give the aggregate profit or loss of subsidiaries.

The 1929 Act apparently does not deal with the position arising from the fact that depreciation provided by a subsidiary company may be entirely inadequate if the holding company paid a high price for the shares. The fact that the statement of profits and losses of subsidiary companies shall also contain particulars of any qualifications made by the Auditors of those companies in their certificates does not mean much in practice, although one visualises the statement to be prepared by a company with 200 subsidiaries if any considerable number of qualified Balance Sheets are presented.

Sir P. Cunliffe Lister, speaking in Parliament last year, said that the modern trust company is providing a valuable addition to our commercial life and gives valuable assistance to the ordinary individual, rich or poor, in making his or her investments. I wonder is he still of the same opinion, if those rich and poor investors now agree with him, and if future events will prove the soundness of his statement.

LIQUIDATIONS.

Abuses of limited liability in connection with liquidation usually arise by schemes evolved to defeat creditors, and principal amongst these are the creation of floating charges in favour of creditors or officers, the obtaining of goods for which there never was any intention to pay, and the preferment of some creditors to the exclusion of the general body when liquidation is imminent.

Ever since the decision that a limited company is a distinct entity apart from the members thereof, it has been possible for a company (even a one-man company) to issue debentures to the vendor in satisfaction of the purchase price, which, of course, is as high as possible. After the resources of the company have been thoroughly drained the debenture holder forecloses and leaves the creditors stranded. The system can also be adopted where a creditor is to be preferred. The creditor threatens to sue for his debt and care is taken that evidence of this threat is forthcoming. He obtains debentures and for three months remains quiet whilst stock is being obtained on credit. He then forecloses and appoints a receiver, who realises stock and other assets in his favour, and the creditors who supplied the goods are left to quarrel in a mass of litigation or take the *debris*.

The 1929 Act increases this period of three months to one of six months before the charge becomes operative against the liquidator and has introduced rules by which, if it appears that the Company's business has been carried on with intent to defraud its creditors or for any fraudulent purpose, the Court may direct that any Directors, past or present, who were knowingly parties to the transactions, shall be personally responsible without any limitation of liability for such liabilities as the Court may order. There is a further power on the Court to prevent such a person from being concerned in the management of a company for five years. This is a very valuable piece of legislation provided that the person concerned is not in the position of proving that he has no money either. Other reforms long overdue are introduced into the 1929 Act. If creditors cannot be paid in full the nominee of the creditors is to be the liquidator instead of the nominee of the company, and a list of creditors is to be given at the meeting of creditors.

The Lord Chancellor may, by certain procedure, make rules for carrying into effect the objects of the Act so far

Mr. Alban explained the "hypothetical tenant" who loomed so largely in rating cases, and whose aid was ts relates to winding up companies. Before the Act was one month in operation notice was given for alteraoions in two rules, and on account of urgency those rules are to be provisional rules as from November 1st, 1929. There seems to be little doubt that even in the 1929 Act we have not got to the end of company legislation.

There is no doubt that the 1929 Act tightens up the responsibilities of Directors and imposes liability on other afficers, notably Auditors and Secretaries, and it is just possible that inequities may result, as a secretary, manager or officer may now be criminally liable for actions committed solely on the instructions of the Directors.

The Act of 1929 has loomed largely in my remarks tonight, and for this I think no apology is necessary because, although it is not operative in this country, we must recognise in it an attempt by greatest experts of the day to deal as far as possible with the abuses of limited liability as they were found to exist.

Throughout the Act we find disclosure is the dominant note, and although certain matters are now legalised which were not possible under the earlier Acts, considerable ingenuity has been displayed in prohibiting certain procedures and abuses which were formerly legalised.

The Public Prosecutor has now power under the Act to institute proceedings against Directors or other Officials where he considers such action to be desirable. This must be hailed as of great potential value, as in the past unscrupulous persons have escaped their just rewards because disenlightened shareholders are usually averse to prolonged litigation and object to throwing good money after bad.

And now my query: "Has limited liability proved indispensable to Industry?" I will anticipate your answer by a quotation from a recent work:—

> "In the Companies Act, 1929, we find gathered together and set in order the results of more than 60 years' legislation, and we may venture to suggest that the provisions of the Act form *in most respects* an admirable system of law for regulating the constitution, management and winding up of companies, the policy being to accord the utmost liberty. Although this freedom has been abused by unscrupulous persons for their own ends, such abuses are an insignificant item in comparison with the vast volume of honestly-formed and honestly-managed companies, while there can be no doubt that the facilities afforded by these Acts have largely stimulated and developed British trade in all parts of the world."

In this quotation, gentlemen, I give you at once the apology for my paper as well as my text, and in its guarded phraseology a suggestion for the answer to the query with which I thought I would stimulate your interest.

After having been postponed on a previous occasion owing to the flooded state of the ground, the annual Rugby football match between the Chartered and Incorporated Accountants' Students' Sections of South Wales and Monmouthshire took place at the Penarth Rugby Ground (kindly lent for the occasion) on January 15th, the result being a win for the Incorporated Accountants by two goals, two tries (sixteen points) to one try (three points). The state of the ground on this occasion also was none too good, but keen rivalry prevailed among the teams, and the play was surprisingly fast considering the circumstances.

SOME PHASES OF RATING AND VALUATION.

Notes of a Lecture by Mr. F. J. ALBAN, F.S.A.A., delivered at a meeting of the South Wales and Monmouthshire District Society of Incorporated Accountants and Auditors, held at the Engineers' Institute, Park Place, Cardiff. Mr. P. H. Walker, F.S.A.A., presided, and there was a large attendance of members and others.

Explaining that the objects of the Rating and Valuation Acts, 1925 and 1928, were to consolidate rates, to provide one valuation for all local rates, and to provide uniformity in valuation, Mr. Alban pointed out, as emphasising the need for uniformity, that in 475 out of 1,232 parishes in Wales and Monmouthshire, the last general revaluation (before that of 1928-29) took place before 1900.

The precise definitions of "gross value" (the basis of valuation), "net annual value" and "rateable value" were explained by means of a comparative table, and it was pointed out that the multifarious local scales of deductions which had hitherto been in operation for the purpose of reducing gross annual value to net annual value had been brought to uniformity by the scale laid down in the Acts for the different classes of property, varying from 40 per cent. down to 5 per cent. In fairness to ratepayers all over the country it was most desirable that there should be uniformity in valuation, otherwise in the case of a county the ratepayers in different parts of the county might be making contributions on an unequal basis to the common fund of the county, and in the case of national institutions such as the Universities, the Welsh National Tuberculosis Organisation, the Central Welsh Board, and so on, the several counties and county boroughs themselves would not be contributing on a fair and comparable basis.

A new feature was now introduced by the Local Government Act, 1929. Under the famous "formula", the "weighted" population which was to be the future basis for the distribution of Government grants depended in part upon the rateable value per head. For the rateable value part of the formula, the datum line is fixed at £10 per head (the rateable value for this purpose being the reduced rateable value as at October, 1929). The estimated population is increased in proportion to the deficit below £10. Thus, a town with a reduced rateable value of £6.3 per head will have an addition of 37 per cent. made to its population. It thus became important, taking England and Wales as a whole, that the standard should be uniform to ensure equity as between one part of the country and another.

Dealing with the standard or level of valuation, it had been clearly laid down by the Central Valuation Committee that the rise since 1914 in the rental value of property must be reflected in the valuation, and that all properties valued for rating purposes must be valued upon the basis of their value at the time of assessment, and not upon the basis of their value at any earlier time. The Central Valuation Committee had stressed that in fixing assessments, any excessive purchase price paid or excessive rentals should be disregarded. Equally they had stated that as excessive rents should be disregarded, so also, in assessing properties, the rents of which had not been raised to the extent of the general level prevailing, the actual rent paid should be ignored and the property assessed uniformly with other similar property. Generally, if the recommendations of the Central Valuation Committee were fairly interpreted, a fair measure of uniformity should result.

invariably invoked in Law Courts and arbitrations in cases where an actual normal rent standard was not available, particularly in ascertaining the rateable value of public utility undertakings and properties of an exceptional type. The hypothetical tenant was the "Colonel Bogey" of rating; he was essentially the "reasonable man" quoted by lawyers and judges, but perhaps rarely met with in real life. There was, he thought, not a single rating case in which the experience of the hypothetical tenant was not quoted in support of diametrically opposite proposals. The Lecturer was reminded of a tale of a somewhat ancient Judge, who, sitting for the first time on a rating case, and after repeatedly hearing the name of the "hypothetical tenant" quoted, suggested that it would save time if the gentleman were put in the witness box!

A useful table was distributed showing the various methods of ascertaining of rateable value where a normal rent standard was not available, including the "profits basis," the "contractors' methods," "user," "comparison" and "fixed rates."

In connection with the rating and collection of rates by owners, it was pointed out, by means of a comparative table, that the alternatives available were the compulsory rating of owners (entitling the owner to an allowance of 10 per cent.) and agreement with owners to pay rates, in which case the allowances varied from 15 per cent. to 5 per cent. The position with regard to the rating of machinery under the new valuation and the relationship of the new valuation to the pending new Schedule A assessments were explained.

Rating naturally led to consideration of the question of derating, and the vital change in the financial position of local authorities and ratepayers which was in course of being brought about by the Local Government Act, 1929. The estimated average relief due to derating of colliery property in South Wales had been estimated at nearly 5½d. per saleable ton; South Wales coal for export and foreign business was also receiving railway freight relief estimated at 6½d. per ton. The general working of the formula under the Local Government Act, 1929, was illustrated by a table, and the probable effect on the rates on areas in South Wales was also shown.

Finally, a table was distributed showing for various districts in South Wales for the financial years 1927-28 and 1928-29 the amount in the pound of the local rates; the values according to the valuation lists in force at the commencement of the year 1928-29, upon which the rates were leviable; and the average amount of rates per head of population. This table brought out the fact that a comparison of the amount of rates collected per head of population corrected to some extent conclusions which might be drawn from the amount in the £ of local rates. In this connection the following statistics (1928-29) were indicated:—

Total amount of local rates in the £.—Cardiff, 13s. 4d.; Merthyr, 29s.; Newport, 14s.; Swansea 17s.

Assessable value per head of population.—Cardiff, £7 11s.; Merthyr, £3 3s.; Newport, £6 12s.; Swansea, £5 11s.

Average amount of rates collected per head of population.—Cardiff, 4s. 11d.; Merthyr, 4s. 2d.; Newport, 4s. 6d.; Swansea, 4s. 6d.

The name of Mr. W. H. Charles, Incorporated Accountant, 3, Greenfield Villas, Llanelly, should be added to the list of Incorporated Accountants appointed to the list of Public Auditors published in our last issue.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

NOVEMBER, 1929.

Final.

Alphabetical Order.

SOPER, PHILIP FRANCIS WILLIAM, Clerk to P. M. George (Halsey & George), Rennies Buildings, 394, Smith Street, Durban.

(19 *Candidates failed to satisfy the Examiners.*)

Intermediate.

Alphabetical Order.

ANDERSON, ROBERT RUTHERFORD, Clerk to F. E. Roberts (Stuart & Roberts), Stanley House, Commissioner Street, Johannesburg.

BORTON, JOHN MONTGOMERY, Clerk to H. G. Galbraith (Douglas, Mackelvie & Co.), 141, Longmarket Street, Cape Town.

BOTHOMLEY, IVOR SELWYN, Clerk to E. H. Raynham (Salisbury, Beaton & Raynham), 11, Cheapside, Kimberley.

BURDON, WALTER RUSSELL, Clerk to G. E. Noyce (W. Murray Smith & Berend), 378, Smith Street, Durban.

COOPER, VICTOR DUDLEY, Clerk to A. S. Leith (Leith, Freake & Cade), 69, Maitland Street, Bloemfontein.

DAVID, THOMAS CARSTAIRS SINCLAIR, Clerk to R. B. Sinclair, 32-35, North British Buildings, Johannesburg.

DELBRIDGE, JOHN SETON, Clerk to P. Milne Duncan, St. George's House, 73, St. George's Street, Cape Town.

DICKSON, ANDREW, Clerk to Alex. Aiken (Aiken & Carter), National Bank Buildings, Johannesburg.

DOUGLAS, RICHARD WILLIAM FREDERICK, Clerk to J. E. P. Close (J. E. P. Close & Co.), Colonial Mutual Buildings, Adderley Street, Cape Town.

FLEGG, NORMAN STANLEY, Clerk to James Douglas (Douglas, Mackelvie & Co.), 141, Longmarket Street, Cape Town.

FRAMES, COLIN PERCIVAL, Clerk to H. P. Webber (Goldby, Panchaud & Webber), The Bank House, Main Street, Johannesburg.

FROST, REX STACY, Clerk to E. Clothier, Royal Exchange Buildings, Field Street, Durban.

HOWELL, CYRIL GEOFFREY, Clerk to F. E. Osborn, 6, Murray Court, Durban.

KAPLAN, LOUIS EDWARD, Clerk to Alec Henochsberg (Henochsberg & Wolpert), 1-4, Winton's Chambers, West Street, Durban.

LONGMORE, CHARLES GEOFFREY, Clerk to Hands & Shore, 108, St. George's Street, Cape Town.

LOW, JAMES WILLIAM, Clerk to J. D. A. S. Low (Douglas, Low & Co.), North British Building, corner of Commissioner and Simmonds Streets, Johannesburg.

MACDONALD, ANGUS POWDITCH, Clerk to N. A. Stott (Deloitte, Plender, Griffiths, Annan & Co.), 201, Consolidated Buildings, Fox Street, Johannesburg.

MACKINNON, FINLAY PATRICK, Clerk to J. D. Cunningham (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

MCGOUGH, LESLIE CRAWFORD, Clerk to A. E. Hurley (Deloitte, Plender, Griffiths, Annan & Co.), 17-18, Royal Exchange Buildings, Smith Street, Durban.

MILLARD, PIERCE ARTHUR NEWTON, Clerk to James Mackelvie (Douglas, Mackelvie & Co.), 141, Longmarket Street, Cape Town.

NORTH, COLIN GEORGE, Clerk to G. E. Noyce (W. Murray Smith & Berend), 378, Smith Street, Durban.

PACKER, FRANK, Clerk to W. B. Gurney, London and Lancashire House, 148, St. George's Street, Cape Town.

PERKS, EDWIN WALTER, Clerk to G. K. Tucker (G. K. Tucker & Wilson), 26, Permanent Buildings, Harrison Street, Johannesburg.

ROWLAND, JOHN REID, Clerk to Collins & Croxford, Partridge's Buildings, First Street, Salisbury.

WALKER, KENNETH MOFFAT, Clerk to Alec. Henochsberg (Henochsberg & Wolpert), 1-4, Winton's Chambers, West Street, Durban.

WELLS, VERNON JOHN, Clerk to Chas. Hewitt, 55-60, Sauers Building, Loveday Street, Johannesburg.

(16 *Candidates failed to satisfy the Examiners.*)

Preliminary.

Alphabetical Order.

BUTCHER, ALAN ROSS, Edgewood, Eastbourne Road, Durban.

CHAPMAN, JOHN CHANNON, Witwatersrand Deep, Ltd., P.O. Box 5, Knights, Transvaal.

FINNEMORE, RONALD EDWARD, P.O. Box 169, Bloemfontein.

MOORE, BERTRAM VINCENT KELLY, 156, Sheffield Street, Kenilworth, Johannesburg.

POUSTIE, WILLIAM ERNEST, 96A, New Modder, P.O. Van Ryn.

(1 *Candidate failed to satisfy the Examiners.*)

Incorporated Accountants' Students' Society of London.

Syllabus of Lectures and Discussions for the Spring Session :—

1930.

Feb. 25th. Lecture, "Graphic Methods," by Mr. A. G. H. Dent, F.S.S. *Chairman :* Mr. R. F. Silvester, Incorporated Accountant.

Mar. 5th. Lecture, "Deeds of Arrangement," by Mr. Maurice Share, B.A. (Oxon), Barrister-at-Law. *Chairman :* Mr. Daniel Mahony, Incorporated Accountant.

Mar. 11th. Lecture, "The Companies Act, 1929, as affecting Liquidators," by Mr. C. A. Sales, LL.B., Incorporated Accountant. *Chairman :* Mr. H. E. Colesworthy, Incorporated Accountant.

Mar. 19th. Lecture, "Fire Insurance," by Mr. William Nicholson, C.C., Incorporated Accountant. *Chairman :* Mr. W. H. Grainger, Incorporated Accountant.

Mar. 26th. Lecture, "The National Balance Sheet," by Mr. A. W. Kiddy, City Editor, *Morning Post. Chairman :* Mr. Henry Morgan (President of the Society of Incorporated Accountants and Auditors).

April 1st. Lecture, "Income Tax—Back Duty Cases," by Mr. Ronald Staples, Editor, *Taxation. Chairman :* Mr. H. Heathcote Williams, M.A., Barrister-at-Law.

All the meetings are to be held at 6 p.m. at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.

Obituary.

EDWARD ALFRED COOMBS.

With regret we record the death on January 20th, at his residence, Beckenham, Kent, of Mr. Edward Alfred Coombs, M.B.E., F.S.A.A., Borough Treasurer of the Royal Borough of Kensington. Mr. Coombs, who was born in the year 1866, received his early professional training in well known offices, and at the time of his election as an Associate of the Society, in the year 1892, he was with Messrs. Edward Moore & Sons, Chartered Accountants, of the City of London. In 1898 he was appointed accountant to the then Vestry of Kensington, and in 1901, on the incorporation of the Royal Borough of Kensington, he became the first treasurer of that borough. He was promoted to Fellowship of the Society in 1899, and was elected a Fellow of the Institute of Municipal Treasurers and Accountants in the same year. Always a loyal Incorporated Accountant, he was more particularly identified with the work of the Institute of Municipal Treasurers and Accountants, of which he became successively a member of the Executive, an Examiner, Hon. Treasurer, Vice-President, and President. For his services in the Great War he was awarded Membership of the Order of the British Empire. He was an accomplished musician and was highly esteemed in the Masonic Craft, holding office as Deputy Grand Organist in the Grand Lodge of England in the year 1921. His death is mourned by a wide circle of friends.

FREDERICK GIBSON.

We regret to announce the death of Mr. Frederick Gibson, A.S.A.A., of Birmingham, which occurred on January 12th at the early age of 28 following an operation. Mr. Gibson commenced his accountancy career as a clerk in the office of Messrs. Pritchard, Sherwood & Co., Chartered Accountants, Birmingham, and in 1922 entered into articles of clerkship with Mr. T. Harold Platts, F.S.A.A., a well known Birmingham accountant and Hon. Secretary of the Birmingham and District Society of Incorporated Accountants. He was elected an Associate of the Society in 1927 and was taken into partnership by Mr. Platts, the practice being continued by them under the name of T. Harold Platts & Co., Incorporated Accountants. Mr. Gibson took an active interest in the affairs of the District Society and Junior Section of the Birmingham Chamber of Commerce and, although young, had created a reputation in business and social circles as a sound accountant and trustworthy friend. He was also a good sportsman, associating himself with local football, cricket, and golf clubs.

THOMAS SILVEY.

We have received with regret the announcement of the death at his residence, Wilbraham Road, Alexander Park, Manchester, of Mr. Thomas Silvey, a well known Manchester Incorporated Accountant and head of the firm of Thomas Silvey & Co., of Palatine Bank Buildings, 10, Norfolk Street, in that city. Mr. Silvey was admitted an Associate of the Society in 1897 and a Fellow in 1909. He was an active member of the Manchester and District Society of Incorporated Accountants for a long number of years and occupied the position of President during the difficult War period 1915-1919. Some three years ago Mr. Silvey underwent a serious operation, and it was supposed that he had recovered a good deal of his strength. He was occupied at his office in Manchester up to within a few hours of his death. Mr. Silvey had a variety of useful activities and was greatly interested in religious, social,

charitable and political work. He was also a Freemason and a member of the Caledonian Lodge No. 204. The funeral service was held at Moss Side Baptist Church on Saturday, January 25th, when the Manchester and District Society of Incorporated Accountants was represented by the President (Mr. James A. Hulme), the Vice-President (Mr. J. A. Turner), Mr. Frederic Walmsley (Past-President of the Society of Incorporated Accountants and Auditors), and Mr. Fred Hargreaves. Mr. J. W. Shepherd, C.B.E., was also present in another capacity. A man of personal charm, Mr. Silvey was much esteemed by Incorporated Accountants throughout the District.

District Societies of Incorporated Accountants.

BIRMINGHAM AND MIDLAND

A meeting of the Committee of this District Society was held on January 22nd, when Mr. Ernest T. Kerr, President, took the chair.

Mr. T. Harold Platts intimated that owing to the death of his partner, he found it necessary to relinquish the work he had carried out for some years as Honorary Secretary.

In accepting Mr. Harold Platts' resignation with much regret, the Committee expressed their cordial thanks to him for his valuable services and were glad to know he would continue to remain a member of the Committee and supervise the District Society's Room and Library at 126, Colmore Row.

It was resolved to appoint as Honorary Secretary in his place Mr. Percy G. Stembridge, Incorporated Accountant, Burlington Chambers, 118, New Street, Birmingham.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

A debate between the Newport and Cardiff Students' Sections took place at Cardiff on December 12th, 1929, on the motion that "Government Interference is Detrimental to the Best Interests of Industry." The chair was occupied by Mr. Ivor Davies, A.S.A.A.

Mr. R. C. Glendenning, B.Com., leader for the Newport Section, in proposing the resolution, suggested that Government interference through such measures as the Factory Acts and Workmen's Compensation Act, which improved social conditions, was not interference in industry. He emphasised the dangers of bureaucracy party politics and "red tape." The Cardiff Section was led by Mr. K. V. Stephens, who likened the case submitted by Mr. Glendenning to a house built on the sands of plausible misrepresentation. The term "the best interests of industry" could not be narrowed down so as to exclude labour, and legislation had not only raised the status of the labourer, but had also increased his productivity. The benefits of a system of protective tariffs were shown, and the final point submitted was that in the future the choice lay between exploitation by monopolies and control of the monopolies by the State.

An animated discussion followed, and on a vote being taken, 23 members voted for and twelve against the motion.

YORKSHIRE.

On January 14th Mr. Stanley A. Spofforth, A.S.A.A., Leeds, gave an interesting lecture on "A Selection of Practical Aspects of Taxation." Mr. J. W. Carter, F.S.A.A. (Past President), occupied the chair, and there was a good attendance of members, who accorded a hearty vote of thanks to the Lecturer.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to the Membership of the Society have been completed since our last issue:—

ASSOCIATES.

ABRAHAM, CHERUVELIL IDICULAY, B.Sc., Clerk to G. Basu & Co., Salisbury House, 3-1, Bankshall Street, Calcutta.

ALDER, WILFRED REGINALD ERNEST, City Treasurer's Department, Guildhall, Gloucester.

BAYLISS, WILLIAM EDGAR, Clerk to W. J. Ford, 28, Baldwin Street, Bristol.

BELL, WALTER ROY, Clerk to Stanley W. Marshall & Co., 107A, Mortimer Street, Herne Bay.

BEVAN, HAROLD MARSHALL, Clerk to Palmer & Kent, Transvaal Goldfields Buildings, 6, Fraser Street, Johannesburg, S. Africa.

BOLUS, ERIC GEORGE, Clerk to Griffin & Kennedy, 43, Cannon Street, Birmingham.

CHADBORN, HEDLEY JOSEPH BOURNE, Clerk to Francis F. King & Son, 143, High Holborn, London, W.C.1.

CUTLACK, WILLIAM JOHN, Clerk to C. L. Kettridge & Co., 1, London Wall Buildings, London, E.C.2.

GAMBLES, GORDON JULIAN LESLIE, Clerk to Wyer and Chivers, 10, The Traverse, Bury St. Edmunds.

GOLDBY, ARTHUR JACK TERENCE, Clerk to Goldby, Panchaud & Webber, Beresford House, 86, Main Street, Johannesburg, S. Africa.

GOULD, ARTHUR JACK, Clerk to Jones, Robathan, Thompson & Co., Imperial Buildings, Cardiff Docks.

HARMAN, ALBERT EDWARD, Clerk to Kingsford Garlant and Co., 111, Moorgate, London, E.C.2.

HOFMEYR, NICOLAI GORDON, Clerk to Dougall, Lance and Hewitt, Pretoria Building Society Chambers, Pretoria Street, Pretoria, S. Africa.

KNIGHT, FRANK WILLIAM, Clerk to Henry Lawrence, Midland Chambers, 5, Gallowtree Gate, Leicester.

LANDRAY, WILLIAM JOHN, Accountants' Department, Kingswood Urban District Council, Council Offices, Kingswood, Bristol.

MARRIOTT, EDWIN STEPHEN, Clerk to R. Hemphill, P.O. Box 2755, Johannesburg, S. Africa.

MAYHEW, ALFRED LAUGHTON, Clerk to John H. Gent, Sutton Coldfield, near Birmingham.

OSBORNE, NORMAN WILLIAM, Clerk to Vincent and Goodrich, 13, Queen Street, London, E.C.2.

PARELWALLA, HIRAJI JAMSHEDJI, Clerk to S. B. Billimoria and Co., 113, Esplanade Road, Fort, Bombay.

PATEL, JEHANGIR HORMUSJI, 70, Medows Street, Fort, Bombay, Practising Accountant.

THACKRAY, WILFRID CECIL, Clerk to Fredk. and C. S. Holliday, Pearl Chambers, East Parade, Leeds.

TRIGGER, TERENCE BURKE, Clerk to Whiteley Bros., Beresford Building, Main Street, Johannesburg, S. Africa.

VICAGEE, VICTOR FRAMJEE, B.A., Clerk to Pix & Barnes, 24, Coleman Street, London, E.C.2.

WHITEHOUSE, JAMES BALLANTYNE, Clerk to Charles Hewitt, 55-60, Sauers Building, Loveday Street, Johannesburg, S. Africa.

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ROYAL NAVAL RESERVE.

(ACCOUNTANT OFFICERS.)

RE-UNION DINNER.

The thirteenth annual re-union dinner of the Royal Naval Reserve (Accountant Officers) (being the twenty-sixth year from the establishment of the Reserve of Accountant Offices) was held at Princes Restaurant, Piccadilly, on January 24th. The Mess President was Paymaster-Commander A. B. Campbell, R.D., R.N.R., and the Vice-President Paymaster-Commander F. Ward. R.D., R.N.R. Among those present were Vice-Admiral Sir John D. Kelly, K.C.B. (Admiral Commanding Reserves), Paymaster Rear-Admiral H. W. E. Manisty, C.B., C.M.G. (Paymaster Director-General), Vice-Admiral H. L. P. Heard, C.B., D.S.O., Captain C. G. Ramsey, R.N., Paymaster-Commander W. Lacon Threlford, M.B.E., R.D., R.N.R., F.C.A., Paymaster-Commander R. M. Heath, R.D., R.N.R., Paymaster-Captain H. M. Boxer, C.M.G., M.V.O., R.N., Paymaster-Captain L. Blackler, O.B.E., R.N., Mr. E. Cassleton Elliott, F.S.A.A. (Vice-President of the Society of Incorporated Accountants and Auditors), Paymaster-Captain H. S. Measham, C.M.G., R.N., Paymaster-Commander E. G. Holdway, R.D., R.N.R., Paymaster-Commander H. B. Tuffill, C.B.E., R.D., R.N.R., A.C.A., Paymaster-Commander G. D. White, R.D., R.N.R., Paymaster-Captain M. G. Bennett, O.B.E., R.N., Paymaster-Commander H. Elliott Clarke, R.D., R.N.R., Sir Charles Walker, K.C.B. (Deputy Secretary of the Admiralty), Paymaster-Lieut.-Commander R. W. A. Ashton, O.B.E., R.N., Paymaster Lieut.-Commander T. Y. Dobson, R.N.V.R., Paymaster-Commander A. E. Loder, R.D., R.N.R., Paymaster-Commander H. V. Such, O.B.E., R.D., R.N.R., Paymaster-Commander C. C. H. Drake, R.D., R.N.R., Paymaster-Lieutenant J. A. Franklin, R.N.R., Lieutenant C. R. Croft, R.F.A., A.S.A.A., Captain G. Macleod Ross, M.C., R.E., Paymaster Lieut.-Commander A. A. Garrett, R.N.R., Paymaster Lieut.-Commander R. Ashworth, R.N.R., F.C.A., F.S.A.A., Paymaster Lieut.-Commander F. C. Martin, R.D., R.N.R., Paymaster Lieut.-Commander R. E. Newnham, R.N.R., Paymaster Sub-Lieutenant J. F. Stoy, R.N.R., Paymaster-Lieutenant H. Alden, R.N.R., A.S.A.A., Paymaster Lieut.-Commander S. J. Read, R.D., R.N.R., Paymaster-Lieutenant R. J. Pigott, R.N.R., F.C.A., Paymaster Lieut.-Commander A. E. Turner, R.N.R., A.S.A.A., Paymaster Lieut.-Commander R. F. Vandervord, R.D., R.N.R., Paymaster Lieut.-Commander R. J. Hayward, R.N.R., F.C.A., Paymaster-Lieutenant J. Wilmer Greene, O.B.E., R.N.R., A.C.A., Paymaster-Commander C. B. Jarrett, R.D., R.N.R., Paymaster-Commander D. M. Mackenzie, R.D., R.N.R., Paymaster Lieut.-Commander A. Simon, O.B.E., R.D., R.N.R., A.C.A., Paymaster-Lieutenant H. D. Bell, R.N.R., F.C.A.

The Mess President gave the toast of "The King" and the toast of "Absent Friends." In doing so he mentioned the regretted death during the last year of Paymaster-Commander A. F. Stoy, R.D., R.N.R., F.C.A., who had been Hon. Secretary of the Committee for many years and whose memory they honoured. The Mess President proposed the toast of "The Guests," to which a response was given by Sir Charles Walker, K.C.B., Deputy Secretary of the Admiralty, who said he had enjoyed the privilege for many years of being their guest and expressed the indebtedness of the Admiralty to the long service given by Accountant Officers, R.N.R.

Vice-Admiral Sir John D. Kelly, K.C.B. (Admiral Commanding Reserves), proposed the toast of "The Royal Naval Reserve—Accountant Officers." Speaking, he said, at the end of a long—and virtuous—career—(laughter)—he felt proud to be in command of the Reserves of the Royal Navy, who were an integral part of the Senior Service. His experience led him to entertain a high opinion of Accountant Officers, R.N.R., and he felt that an efficient Reserve was desirable at the present time and in the years to come. The toast was supported by Paymaster Rear-Admiral H. W. E. Manisty, C.B., C.M.G. (Paymaster Director-General), and a response was given by Paymaster-Commander R. M. Heath, R.D., R.N.R., who thanked the two senior officers who had proposed the toast for their expressions of appreciation and for their presence with them that night.

Paymaster-Commander H. B. Tuffill, C.B.E., R.D., R.N.R., A.C.A., proposed the toast of "The Mess President," who gave a brief response and expressed the indebtedness of the whole Mess to Paymaster Lieut.-Commander R. J. Hayward, R.N.R., whom they welcomed for the first time as Honorary Secretary of the Committee.

THE OFFICE MACHINERY USERS' ASSOCIATION, LIMITED.

The first meeting of the Office Machinery Users' Association for the Spring Session was held on January 22nd, at the London School of Economics and Political Science. Mr. G. D. Gardner gave his second lecture on "Some Comments on Staff Management," under the chairmanship of Mr. R. E. Simpson.

Mr. Gardner spoke about two points in connection with staff management. The first was staff instruction. He deplored the fact that so few clerks—and senior executives as well—knew how to perform their duties to the best advantage. He proceeded to describe what was done in one firm to remedy this, beginning with the sales manager and working down through the organisation, and he detailed many of the time-wasting operations which were discovered and the steps which were taken to enable the staff to work to full capacity instead of at 80 per cent. capacity or less.

The second point was salaries. Esprit de corps, he said, was a vital asset to any firm, but one of the predominant factors—the proper administration of the fixing and payment of salaries—was too frequently neglected. Mr. Gardner then enumerated the steps that should be taken to fix salaries, and described a method which would enable a firm to decide whether a man's work in one department was worthy of more pay or less pay than a man's work in a totally different department. He explained how a salary control chart should be prepared and how this chart would govern salary increases. The proper and scientific fixing and control of salaries would remove one of the greatest barriers to the contentment and good work of office staffs.

A lively discussion ensued, and the meeting closed with a hearty vote of thanks to the Lecturer.

Professional Appointment.

Mr. D. J. Richards, Incorporated Accountant, has been appointed Borough Treasurer and Accountant of the Borough of Luton, with effect from December 1st, 1929.

Statistical Administration of Industry.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

Mr. A. G. H. DENT, F.S.S.

The chair was occupied by Mr. H. E. COLESWORTHY, Incorporated Accountant.

Mr. DENT said: The development of statistical work in modern industry has reached, in certain fields, so high a degree of importance that it seemed to me that a useful purpose might be served by outlining some of the work done, the possibilities and the limitations of statistical organisation, guidance and control.

FUNCTION OF STATISTICAL METHODS.

"Business phenomena are related; they do stand in the relation of cause and effect, but this is not so simple or predictable as is sometimes indicated to be. This relationship can be measured, and it is the function of scientific method to determine it." (Secrist.)

Statistical methods of approach to business problems are specialised and of great value; they involve a peculiar technique and attain a high degree of accuracy. By way of introduction I would quote the words of Mr. C. A. Heiss, comptroller of the American Telephone and Telegraph Company: "Through the application of statistical methods, current performance must be measured, significant relationships studied, past experience analysed and future experience appraised; and the results and conclusions of such studies and analyses must be concisely and effectively presented for the information and guidance of those in authority. The formulation of policies must be based upon due consideration of the relative statistical evidence. In short, statistical work may properly be characterised as a vital mechanism in modern business administration, and the problems it presents should be viewed in this light."

TRENDS IN INDUSTRY.

Perhaps the most important trend in modern business life is the realisation of interdependence between units and between industries. Isolation is no longer possible; the individualist cannot escape the effects of forces which operate often from long distances and over long periods with economic inevitability, but he can act so as to minimise the effects of those forces if they are dangerous, and to examine the manner of their genesis so as to anticipate future happenings. Industry, highly developed as it is, is still subject to the economic influence of agriculture, and success or failure of harvests abroad may condition the future for manufacturers in Great Britain through reactions on purchasing power.

Concerted action can do much to control the course of the general business cycle; co-operation within an industry can assist each member to plan his production and sales on the most efficient basis; the administration of the future will reach its highest development in controlling enormous, inter-connected organisations of vast complexity demanding more and more scientific and specialised methods. In approaching this subject we may consider the different units of our field: first, the individual manufacturing and selling company, then the larger unit, the industry to which it belongs, and finally the national and international economic field within which these units move, and upon the conditions of which they depend for their ultimate prosperity.

STATISTICAL WORK OF COMPANIES.

Statistical work in an individual company covers investigations of essential facts, and these facts will depend on the character and size of a business. The chief executive of a large company, under modern conditions of operation, needs a system of keeping in active contact with the many departments and activities which form part of his organisation, and upon the individual efficient functioning of which the progress of the whole company depends.

While the accounts or comptroller's group regularly supplies the essential financial figures and operating ratios, the functions of this group apply to a definite sphere of action, and the accountant does not possess the specialised technique of the statistician to prepare analyses and reports of a statistical character. I will develop this point a little more clearly. To quote Colonel M. C. Rorty, formerly Vice-President of the American Statistical Association, "A practical separation must be made between statistics and accounts, and in fact it is very necessary that no attempt be made to burden the regular accounting forces with the changing details of statistical analysis. The two classes of work are radically different. In general, the accounts will serve their full purpose if they accurately reveal the financial status of the business and the financial results of current operations, and in addition locate general responsibility for any marked variations from normal performance. But beyond this point it is not profitable, even where it is possible, to carry the rigidity of the balance-sheet and the double entry. Cost analyses, operating reports, projections of future financial and operating results, and many other statements and summaries, all require flexibility of handling, and must be treated from a statistical rather than an accounting standpoint. Furthermore, the accounts themselves are the materials from which many statistical studies are derived—so that the special field of the accounts once clearly defined, it is not too much to say that all pertinent numerical facts, and many that are not strictly numerical, whether within or without the business, whether relating to the past, the present, or the future, come within the scope of business statistics."

The actual scope of statistical work in any company must depend largely upon the desires of the chief executive. It is easy to collect and analyse numerous business figures and other data without securing real benefit from such labours. The aim of statistical organisation is to collect and analyse important data which may, as a result, throw light on managerial and administrative problems. It should assist executives to operate and control more efficiently, to make decisions on the most accurate presentation of facts, to foresee vital changes in the industrial world, and to analyse existing methods and conditions, so that ensuing actions may lead to increased profits or decreased losses.

COMPANIES PRACTISING STATISTICAL WORK.

It may be pointed out here that the companies which have developed statistical work to a high degree are eloquent testimonies to its efficiency. They are all prosperous, ably-managed, and plan their activities on a scientific basis. To mention a few, both British and American: Cadburys, Crabtree & Co., Hans Renold, Imperial Chemical Industries, Edison Industries, Eastman Kodak Company, Dennison Manufacturing Company, Anglo-Persian Oil Company, Rowntrees, American Telephone and Telegraph Company, Western Electric Company, General Motors Company, and Walworth Manufacturing Company. They are mainly drawn from

the engineering industry, with which I am most familiar, but they are names of weight and significance.

BUDGETARY CONTROL.

Considering the practical details of statistical work in a company, the fundamental job is to plan the budget. Probably we can all re-echo Mr. Henry Dennison's statement that "The manufacturer has no more important problem than that of forecasting the demand for his products. His greatest need is for timely statistics, well presented and widely distributed." The ideal is to be able to plan and forecast results accurately through budgetary control of sales, manufactures, purchases, receipts, and expenditures, and it has been successfully achieved by companies handling a wide variety of merchandise.

While there is no theoretical solution to the forecasting of future business, the statistical method is invaluable in conjunction with other angles of approach. Let us admit that the most important factors in forecasting are an intimate and up-to-date knowledge of the market, and a thorough knowledge and understanding of the company, its products, methods and competition, and of the industry of which it forms a unit.

The analysis of past results in the light of the conditions under which they were obtained, the study of national economic conditions, and of the purchasing power of customers, or of the expenditure programmes of important customers such as Governments and municipalities—these are important allies to business experience. It is possible in certain types of business undertakings to analyse the market for a given product, to estimate the total business to be derived, the probable share to be secured by competitors and the effect of various influences. The analysis of past orders generally reveals a definite growth line or secular trend line which persists for a period of years, and is the outcome of the concerted action of such factors as population growth, development of new territories, increase of national wealth, selling effort, &c. Analysis also shows seasonal variation and its regularity of incidence, and the long wave-like movements of the general business cycle.

The causes which have acted to produce these main movements (which exist in practically all business figures) will probably act in the future, and the projection of a line of secular trend, with seasonal indices applied, can be carried out in conjunction with a forecast of the future movements of the general business cycle. This applies to home trade of a country since the characteristics of export trade require special treatment. I would condition these remarks by adding that the projection of the business cycle into the future is a difficult matter, and there are always "accidentals," such as strikes, lock-outs, harvest failures, &c., which act to a great extent outside the probability range. However, the budget can be planned, and from its broad figures the details may be deduced. The forecasted sales are the basis of the production plan, and they can be interpreted in terms of raw material purchases, labour supply, machine operations, man-hours and shop costs.

The analysis of previous results over long periods enables gross profit percentage, general expense, commercial loading and net profits to be estimated. This analysis is carried into different main classifications of merchandise which have their own characteristics, and a further step is to estimate from orders by lines the probable rate of sales billings and of receipts from customers. Compared with this aspect of the main budget, the financial or accounting department will prepare its own estimate of disbursements and requirements for the year, and these will be lined up with the estimates of receipts and their incidence.

Budgetary control plans of this type are in force in up-to-date companies in the United States and in Great Britain, and I will illustrate these generalities with a typical example.

THE EDISON COMPANY.

The Edison Industries in the United States produce storage batteries, Portland cement, Ediphones and gramophone cabinets and records—a considerable variety of merchandise. The company makes a practice of estimating future sales and studying the conditions in those industries affecting demand for Edison products. The sales organisation divides up its territory into thirteen districts, and each district manager estimates his next year's sales and expense by months, and selling cost per unit of sales. These individual estimates are combined and studied at headquarters, various adjustments being made where considered necessary. Parallel with the sales budget an expense budget is prepared, showing expenses by districts and per unit sold.

The forecasted sales are the basis of production and purchases. The twelve-months period is taken as the basis of manufacturing schedules, but not necessarily of the commitments dependent upon these schedules. Orders for materials are carried out on a three months or smaller basis.

In preparing the manufacturing schedule, the monthly and daily production figures are derived from the sales estimates, and from the production figures are estimated the quantities of materials under their various classifications which are necessary to ensure the calculated output. These requirements are then interpreted in terms of sources of supply, and the period materials are needed prior to the final shipping dates estimated.

The process of deduction from the original budget forecast is carried on down to the last link in the chain of manufacturing and purchasing, including the minimum desirable stocks of every item to be carried. Economy in operation is secured by studying each of these individually so that advance commitments are restricted to a minimum, consistent with the planned production being carried through.

It may be added here that in the credit field the Edison Company has forecasted cash receipts for many years. Figures for the following month, probable cash receipts in 60 days, and in many cases 90 days time, are predicted with a satisfactory degree of accuracy. Not only is the budget made out in this manner, but the progressive steps towards its realisation are recorded month by month, so that the progress towards certain standards can be calculated, and the causes of any unsatisfactory conditions ascertained.

The success of the Crabtree Company of Walsall provides a very good example of the practical value of budgetary control and business forecasting. Handling an electrical business which has strong seasonal fluctuations and changeable demand for different lines of merchandise, the Crabtree Company has now reached a position where the average error on budgetary estimates works out below 1 per cent. Their study of the business cycle in Great Britain, with special reference to the electrical industry, has shown that yearly business moves regularly in two distinct waves. The company prepares secular trend lines of business growth and projects them into the future, using the areas above and below the trend line as a business guide. The described parabola upon the secular trend line is taken as a forecasting index using as basis the area of the preceding parabola.

To quote Mr. Hugh Quigley, "experience has shown that the most successful firms in this country, chiefly on export account, have been those where the management was willing to use the economist and statistician as essential to the proper elaboration of policy and the control of distribution."

Systems of equally scientific character are in force in such companies as the Walworth Manufacturing Company in the United States, and Hans Renold Limited in Great Britain.

The A.T. & T. Company.

While it is true that some businesses have an easier task in planning than others, there are very few wherein a careful analysis of past results, and of the market, &c., cannot help towards setting up reasonable quotas as guides for each year. It is interesting to note that the American Telephone and Telegraph Company operates on a budgeting system of a continual five year plan, unifying the forecasts of each different department. In these forecasts the statistician determines probable future economic and financial conditions. This company has constructed its own general business curve, and projects it ahead, correlating future business with its movements.

Market Analysis.

In dealing with sales forecasts we referred to market analysis, a branch of business method which has developed greatly. While the extent to which market research is possible varies with type of product and consumer, a company can determine by means of statistical analysis the extent of the market, and the conditions and probable sales to be derived from a given territory. Considering home trade, a country can be divided up into territorial units, and purchasing power of these districts assessed by studying the various significant indices. At least one prominent American company, manufacturing and merchandising an article of public consumption, has mapped out Great Britain into area units and has allocated sales quotas scientifically calculated to each unit. Regular reports are received from representatives and dealers all over the country, showing orders for all types of the article marketed, and its parts and accessories. By these means progress is measured against a standard, and, where feasible, against competitors' results.

Graphic Analysis of Results.

The recording of orders and sales results is an important work which can be most effectively done through analytical and charting methods. Statistical systems can effectively serve the chief executives in this manner by presenting regularly a clear and concise picture of the company's position in relation to past results and present standards. The subject of graphic analysis in business administration and control is one that needs a discussion of its own. Not only on the commercial side, but on the financial and accounting side, have big strides been made in the direction of standardising performance and in graphic analysis of progress.

Operating Standards.

Many of you are probably acquainted with the work done in the United States in attempting to evaluate operating standards. In industries which have well defined conditions of selling there will be a similarity in turnover of accounts receivable, and among firms in the same industry there will be an average turnover of inventories and an average relationship between investment in fixed properties and business volume. The various relationships and operating ratios observed for a period of time for a company indicate safe limits to which management should adhere in normal circumstances.

I need hardly emphasise in this assembly that in the accountant's field, just as in commercial, manufacturing and economic fields, analytical methods have been developing in the financial side of a business, all forming part of the work which I anticipate will form an important section of the education of those entering into the future profession of business.

Purchasing.

So far the questions of budgeting, planning and market analysis have been shown to respond to statistical treatment for their development. In every other sphere of business activity the application of analytical systems has been found valuable. Let us consider the purchasing agent's position. His knowledge and experience of the raw material market can be reinforced by a study of the trend and fluctuations in prices, stocks, production and consumption. This analysis combined with a close following up of producers' combines, world price movements, factors likely to affect future demand, &c., enables the purchasing agent to gauge more accurately than he otherwise would the future movements, the probable period of rising prices, &c., so that he can buy most economically. It is not suggested that by present forecasting methods the exact moment of the change in market conditions can be calculated, but it is possible to gauge the approximate time. As we are aware, under critical conditions a market becomes very sensitive, witness the reaction of the New York stock market to Mr. Roger Babson's prediction of a slump at a time when the market was ready for some such reaction; and his prophecy became an influential causal factor.

Labour.

A further area of important activities is that connected with labour conditions. The economic data of wages, employment, cost of living, &c., must be studied to enable proper decisions to be made concerning changes in rates of pay and similar important managerial problems In parallel with this work it will be generally recognised that the supply of proper statistics to labour and its representatives is one of basic importance.

The systematic issue of essential data, such as production costs and profits, would further do much to clarify the position in trade disputes, and would help arbitrators to estimate more closely the true state of industrial conditions. It would save a vast deal of suspicion and ill-feeling were adequate statistics in all industries to be periodically prepared for the scrutiny of the workers as well as of the management. By this means a number of potential strikes and disagreements would be stifled at birth through the sheer logic of known facts, but where there is secrecy there is always distrust. In nation wide industries this has become of fundamental importance, since big industrial disputes can no longer be considered as outside public concern.

This work comes logically under the heading of trade association statistics, since this body would be the source of data for organised labour. Naturally, a general publication of certain data could not be done without giving foreign competitors useful information, but particularly confidential figures could be shown to representatives of labour and arbitrators pledged to secrecy.

These are typical examples of the problems needing study and analysis from a statistical angle to find their most effective solution. There is, of course, a danger in this process. The historic case of a certain company in the United States tells us how, when an efficient statistical

department issued a warning report of probable unsatisfactory conditions in the following year with no profits, the first step taken was to cut down this very statistical department as a non-productive group, which could be dispensed with! However, this involuntary suicide should not discourage us to consider the statistical field of business as an outlet for our energies.

THE INDUSTRY AND THE TRADE ASSOCIATION STATISTICAL GROUP.

So far I have considered mainly the individual company, and it is necessary in surveying the many aspects of statistical administration in industry to consider the larger unit, the separate industry.

At the present time there is a tendency for increased demand for statistical and economic guidance by member firms from the central trade association, and in response to this demand—or in some instances to stimulate it—there have arisen statistical and economic departments to function for the benefit of a whole industry. It will be realised that the creation of a separate statistical department by a manufacturing or selling company is the creation of an indirectly productive department with a certain expense, and only the advanced, wealthy, or very large companies, have felt justified in setting up such departments. They are the logical testing places of the methods and ideas embodied in statistical analysis, and therefore a parallel development has been for the industry's central group to study economic and trade conditions, and to some extent statistics of the various companies, for the benefit of all concerned.

It is true to say that the growth achieved depends to a large extent upon the broadminded nature of the member firms. In Great Britain the highest development of this type of work has been achieved by the economic and statistical department of the B.E.A.M.A. (the British Electrical and Allied Manufacturers' Association), which has produced very striking results. The National Federation of Iron and Steel Manufacturers and the Society of Motor Manufacturers and Traders have also initiated statistical service to a certain extent. In the United States the highest development has taken place in the trade associations connected with the paper, pulp and printing industries. Somebody has called the trade association "an industry wide corporation," and I feel it is time that the majority of people re-oriented their ideas about its functions and possibilities.

Apart from the basic objects of quality and price maintenance, the trade association has even more valuable functions in the stabilisation and indirect guidance of industry as a large unit. These ends are being attained in certain industries to-day. We find in the United States that the Writing Paper Manufacturers' Association is a very enlightened group. Its statistical headquarters issues regularly charts to each member firm showing curves of Total Association Orders, Group Orders, and the Firm's Orders, monthly data for previous and current year. The scales used are percentages. Production figures are similarly charted, and also price trends are shown, such as the curves of "Trend of Unbleached Sulphite Prices" for six years, &c. Other valuable data recorded are charts of capacity and actual production of paper machines in the United States over long periods. Similarly, the Southern Pine Association publishes a Weekly Trade Barometer showing for a certain group of mills the following data:—Orders on hand at the beginning of the week, orders received during the week, shipments during the week, and orders on hand at the end of the week. Important relationships are deduced from this information, such as percentage at which orders and shipments stand above or below production for the week.

A useful development which has taken place in the United States is that many trade associations send in their reports to the Bureau of the Census, where they are published in the monthly Survey of Current Business.

I should mention here the highly organised methods of the printing trades in the United States, which issue bulletins showing results by member firms of operation costs for typesetting, for printing, for binding, and production facts on the efficiency of operation of the mechanical equipment. It will interest accountants to hear of the annual publication by the United Typothetæ of America known as "Ratios for Printing Management." One issue of this showed statistics compiled from 353 balance-sheets of printers, and from 367 plants, employing over 9,000 workers, with an annual sales volume of £10,000,000.

Such activities as these are of the highest value in establishing efficient standards of operation and in promoting balance between production and consumption, and thus avoiding violent fluctuations with their associated losses to capital and labour.

THE B.E.A.M.A. IN GREAT BRITAIN.

In Great Britain the economic and statistical department of the B.E.A.M.A. has co-ordinated the activities of manufacturers in statistical and public relations work in the electrical industry, has developed standardisation in export classifications, and has made possible definite improvements in status and competitive power. The great rationalisation scheme for electrical power supply in this country has been assisted in no small measure by its activities. Perhaps the most valuable contributions to industrial efficiency have been its studies of markets abroad, of the trade position, and general business conditions, and its reports on methods of competitors, particularly in Germany, in organisation, combines and finance.

STANDARDISATION AND SIMPLIFICATION.

I have said enough so far to indicate the vital nature of this modern movement towards scientific control of business, which may be termed the statistical administration of industry. There is allied to the activities already outlined the growth of standardisation and simplification which has effected great economies in production.

This work has been developed through co-operation by manufacturers as a result of investigation into varieties of products. The British Engineering Standards Association, as the central body carrying out these undertakings, has made possible huge economies by elimination of superfluous varieties, and by the setting up of standards in quality and types. As an instance, it may be noted that colliery rails have been reduced from some 500 sections to 14. This work has been developed on the Continent and in the United States on parallel lines, and has been applied to grading of products, both manufactured and agricultural.

It may interest you to know that on the Pacific Coast of the United States ripe olives have been standardised into seven grades determined by the number per pound, and designated by standard terms. Sizes are no longer known as fancy, extra-fancy and choice. Such unscientific terms have been replaced by the new seven gradings—medium, large, extra-large, mammoth, giant, jumbo and colossal! Fortunately, apart from this nomenclature, ripe olives are also graded on the basis of maturity at picking, colour and texture. These illustrations indicate the extent to which the analytical method has been successfully applied to problems of production and marketing, and there is still plenty of room for further standardisation and simplification in industry.

THE GENERAL BUSINESS CYCLE.

There remains another very important area of study for the industrial economist or statistician, the general business cycle, its causes and effects, and national economic barometers and their movements. As we all know, the 1921 world crisis was so disastrous that it led to much study and thought as to the causes of the cycle and how it might be avoided, or at least mitigated. Perhaps the chief influence in the cycle is a psychological factor, the buyers and producers seeing a wonderful period of prosperity in front of them, and having no cold statistical conclusions to warn them of its transitory and dangerous character. It appears probable that the basic industries are mainly responsible for the violent fluctuations. The farthest away from final consumption, their misjudgments of consumer demand tend to be greatest. But for every fluctuation above a normal area about the secular trend line of business there is a succeeding corrective negative reaction. Assumptions and decisions not based on facts are largely responsible for the incautious conduct of businesses in boom periods. The lack of proper statistical and economic guidance has been a big defect in the past. I would like to quote Mr. Hoover on this point when he was head of the Department of Commerce. He stated: "There is no question but that the curves in the business cycle from activity to depression have been less disastrous in those industries or trades where accurate, lawful statistical data have been available to all." Again, he said: "If employment is to be held constant . . . there must be adequate statistical service."

An important task of the industrial statistician is to study the movements of the general business cycle so as to be in a position to warn his company of any impending changes which may be powerful enough to affect their plans or profits.

One of the peculiar points about the business cycle's phases is the fact that at the apparent movement of great prosperity (*i.e.*, on the up-going boom before the inevitable crash) the manufacturer has generally assumed that even greater production activity is needed to meet demand, and at that time demand has already been over supplied and is about to decrease rapidly.

In other words, the supply is not regulated so much by true demand as by what the supplier considers demand is most likely to be. His estimate of this is based upon available statistical data, and if neither he nor any one in his organisation has been studying economic and industrial conditions closely to give warning by analysis of the industry's stocks, production, consumption and shipments, he will increase production instead of cutting it down and calling in outstanding receivables.

The study of the general business cycle and of national and industrial economic barometers is therefore of increasing importance to producers. The cyclic phenomena affect business so strongly that future commitments cannot be made without studying the general economic trend. This is particularly necessary in relation to estimated future sales, production plant, and factory floor space, since new building commitments need regulating with regard to the general price cycle. Let us consider the deceptive nature of a boom period; its high sales figures include the effects of price inflation, and while they suggest the need for increased plant, a careful analysis shows actual physical volume increase to be smaller, foreshadows a culmination and drop to low levels, and emphasises the danger of undertaking heavy investments in fixed assets at artificially high price and wage levels.

THE FUTURE OF INDUSTRIAL BUSINESS METHODS.

This review has attempted to show you what is being done in industry and what still remains to be done. It is a truism that industry's competitive efficiency in the international field depends not only on its own actions, but upon the actions of financial authorities. With a little imagination we can realise the powerful influence of an industrial economic council of, say, the basic industries in Great Britain, formed to maintain the interests of industry in the financial policy of the country. Such a council could be formed by the heads of the economic and statistical departments of the trade associations in collaboration with leading executives. Looking back over the past years such a council might have had a strong influence in modifying the premature deflation and excessive credit restriction policy which has been operated by the financial authorities. The more intensive competition for the world's markets in the future will make essential a close co-operation between national industry and finance, and this may well be brought about through economic and statistical development in industry on a national scale. Visualising the developments of statistical administration of the future, I foresee an immense system of co-ordination and unification in industry as the inevitable outcome of its present major trends. Combines and kartels, mergers and trusts, foreign marketing organisations and intelligence services, make essential the application of scientific methods to commercial and administrative work.

I believe that each industry will develop through its trade association or some equivalent centralised body the means of regulating supply to demand so as to avoid unbalanced production with its inevitable sacrificial readjustments. Information on stocks, consumption, production, proportion of shop capacity employed, these vital indices of industrial conditions which I have discussed, will be the common property of every right-functioning member firm in every industry. Through interchange of information on operating standards the inefficient firms will either attempt to adjust their management systems to higher levels or will become absorbed or put out of business and dissolved. The industrial economist or statistician will operate in large companies and in separate industries. He will conduct the centralised study of economic conditions for his company in the one case or for the industry as a whole, issuing periodic surveys to members. He will analyse conditions in his own industry and in those related industries which affect it. The trend of world prices for the raw materials and products of his industry will form part of his studies. Economic barometers of national conditions, important tendencies in industrial politics, at home and abroad, share market movements, the tendencies of the world's money markets—economic life will be carefully watched in the interests of stability and steady progress.

I am painting no exaggerated picture, for it is obvious that, however highly regulated and controlled a group of industries may be, they are dependent upon market demand for their existence and cannot create prosperity by systems. However, it is true to say that, given equal fundamental conditions, the progress of industry will be greater with the use of more scientific organisation and control by those whose task it is to manage.

There will be cycles in the future, but less intense because guarded against and checked by concerted action; there will be alternations of good and bad harvests with their repercussions on the industrial community, and there will be unforeseen world calamities which will upset normal growth.

In spite of these probabilities we can do much to mitigate their effects—we see that there need be no intense boom and slump periods set in motion by these forces if industry

is adequately regulated. The incentive to make profits at all costs on a rising market, irrespective of impending break, will be largely replaced by steady action through economic understanding among producers. The partition of markets will take place on agreed scales among international producers; a lower rate of profit may become necessary for the investors in industry, but increased steadiness will be their compensation.

Budgetary control will extend to all industries and businesses, new companies will not launch unwanted products on to a surfeited market since they will conduct a preliminary analysis of the field, monthly balance-sheets will become common phenomena; the scientific conduct of business will be an everyday fact.

These are some of the developments that form part of the statistical administration of industry. In their growth there is need for the industrial statistician or economist to apply his methods and assist those whose function it is to make decisions of far-reaching consequence, so that industry shall be guided most efficiently.

Scientific administration is as yet in its infancy, and it is largely upon the shoulders of the statistician and the industrial economist and the accountant where lies the burden of developing methods that shall satisfy the great problems of the complex industrial organisation of the future.

Discussion.

The CHAIRMAN: I feel obliged to say one or two words after listening to what has been, to me, an extremely fascinating and interesting paper, delivered in a most able fashion. Mr. Dent's paper has served to convince me of one thing which I have long suspected, namely, the lack of co-operation between the accountant and the statistician—I mean real co-ordination. I think it is probably due to the fact that neither is fully aware of the exact functions of the other, or that the functions of the one are not properly understood by the other. But Mr. Dent's lucid exposition of the statistician's work has gone a long way towards clearing away that difficulty; it only remains for me to say that it is up to both sections to clear the matter up finally. I admit that we are faced with no easy task—we must all admit that—and I am afraid I cannot offer the solution. Two main difficulties seem to stand in the way. Firstly, we both suffer from the existence of the amateur statistician. His figures rarely coincide with ours, and his functions seem to be to cheer up directors during the year, and to leave the accountant to tell the truth at the end of the year. The second difficulty is that there is a lack of common terminology between the statistician and the accountant. That is a much more difficult problem to solve. We shall never understand each other's functions if we use different terms, and at the moment we are employing two different sets of nomenclature. The sooner we tackle this problem of terminology the sooner will the accountant and the statistician understand each other's functions, and achieve the real co-ordination which is desirable in the interests of business. Whether the accountant will give way and adopt picturesque terms like "commercial loading" in the place of the terms he now uses when referring to "oncost" it is impossible to say. He may possibly be tempted to use expressions such as "sales billings," instead of "sales invoiced." It may be that some of the statistician's terms are more expressive than those used by accountants at present. This is probably due to the introduction of many Americanisms in statistical work. Those, I submit, are two of the chief difficulties standing in the way of our common understanding, but towards the clearing up of which our Lecturer's paper has gone a very long way. Before I ask members to take part in the discussion, I must refer to Mr. Dent's quotation from Mr. Hugh Quigley's very fine book, "Towards Industrial Recovery." I would personally recommend everyone to get hold of that volume. If you do, I am sure you will be tempted to go further and read the same author's work entitled "Republican Germany," which is a fine exposition of the recovery of the German nation, and deals with the use of statistical information such as we have heard described to-night. I refer to that matter because, looking around our audience, I happen to see that the author of those two books is with us to-night. Whether we shall be able to induce him to take part in the discussion I am not sure, but I hope so. May I ask you now to put any questions you wish to Mr. Dent?

Mr. SCOTT-MOORE, Incorporated Accountant: I think the paper we have heard from Mr. Dent this evening will have proved to all of us how very wise the Council of the Incorporated Society was in making Statistics one of the examination subjects some years ago. There was considerable grumbling about it at the time, but I think events have shown that they took a long view, and their action is being more and more justified every day. It has been said that experience is what most people call their mistakes. Well, I think one of the great functions of statistics is to register people's experience and give them a guide for the future, so that they shall not continue to have that sort of experience which the gentleman I have quoted was thinking of. In other words, experience should help us to eliminate past errors and lead to greater success in the future. The method of doing that, Mr. Dent has very graphically described as the projection formed of the trend line. I think that in a nutshell gives the pith of what statistics really do for industry. I was interested in the list of firms which Mr. Dent mentioned, but I did not hear that of Henry Ford. I was rather surprised at that, because I would have imagined that Mr. Ford would have gone into the application of statistics to his business on a very large scale. Then with regard to the question of standardisation; that, perhaps, is not quite so much a statistical matter, as most of the things Mr. Dent has dealt with, but it is undoubtedly a very important thing for the future. His reference to olives was rather amusing, I do not know why the particular nomenclature was chosen. but it seems to me rather curious to put a "giant" after a "mammoth." One's idea was that a mammoth was something bigger than an elephant, but probably that is an American idea of zoology. (Laughter.) I should like to sympathise with Mr. Dent's attempt to describe charts and graphs without the use of a blackboard, and I hope that some arrangement will be made in the very near future for another paper by Mr. Dent, dealing more fully with charts and graphs, and that he will then be supplied with a blackboard and chalk so that we shall be able to see more clearly the things he has described to us this evening.

The LECTURER: Dealing with Mr. Scott-Moore's remarks, the straight line trend projection is, of course, a very essential part of statistical work. I am not forgetting the fact that the trend line may turn out to be a parabola sometimes. The standardisation and simplification work I brought in because of its being applied to statistics. I was impressing that a good deal, but it is all part of a general trend towards scientific management and administration. That is why I brought in the question of the olives. Besides, it struck me that the paper was rather dry, and I wanted to introduce something a little more amusing! I agree with Mr. Scott-Moore concerning the olives. When I saw "giant" after "mammoth" I thought it was all wrong, but what struck me as even more incongruous was to find that they put "jumbo" above "mammoth." My idea of a "jumbo" was that it was a toy used in the nursery. (Laughter.) But undoubtedly they showed a real sales psychology in starting off with "medium"! As far as charts and graphs go, I am sorry if I could not make what I had to say quite clear, but one has to have an enormous visualising power to fix these things in one's imagination without a blackboard or chart. If anybody is particularly interested in the matter, I shall be glad to try and explain it further. I may say that it is full of "snags." For instance, you see charts produced by advertisers: they show you enormous rates of growth, colossal lines shooting

up in the air, but apparently there is no zero. Such delusions are quite common. The use of percentages reminds me of the story of the butcher out in America who was asked by a customer what materials the sausages he turned out were made from. He said they were chiefly pig—pig and horse actually mixed. The customer asked "What is the proportion?" "Oh," he said, "fifty-fifty." The customer then said, "I suppose you mean half-and-half?" "Yes," he said, "fifty horses and fifty pigs." (Laughter.) Perhaps I might refer to our Chairman's remarks about the "amateur statistician." I do not know him very well, but that may be because he is not known as an amateur statistician; he may be a "business expert." I know the statistician has to tread warily lest he step on the toes of the accountant. There is undoubtedly a similarity in their work, and if I were a full-blooded, old-established accountant I would object to a statistician coming into my office, borrowing my figures, and upsetting what I had found. But as I am a statistician I naturally take a different point of view! Undoubtedly there is room for a delineation of functions, that is why I quoted Colonel Rorty's remarks. The accountant, after all, is on the financial side, and shows rigid, determining things like operation ratios, &c.; the statistician is, perhaps, more concerned with the commercial side—selling, markets, economic conditions, &c. It should not be difficult to sub-divide their different functions in life; no doubt that will be done in time. But the statistician is a youngster over here as applied to business, whereas the accountant is a thoroughly well-rooted and established fellow. No doubt the difference in nomenclature is due to American terminology. I myself use American terminology, but, of course, there is a difference in technique which involves the use of terms which are not the same. If I refer to accountants' figures, I follow the accountants of the company to which I belong—I talk about "billings," and instead of "on-costs" I use "commercial loading." I think the difference in terminology should be settled between English and American accountants. In reply to Mr. Scott-Moore's question about Henry Ford's business—I merely made a selection. As far as I know, Henry Ford has one of the most scientific plants in the United States as far as production goes, and I believe he has a very widespread net of market analyses to study consumption and demand.

Mr. G. W. PEARS: Two important points occur to me, arising from the lecture and the Chairman's remarks. The first is the line of demarcation between the work of the accountant and that of the statistician. Personally, I think there should be no friction at all. Our work is static, the statistician's work is dynamic. Our balance-sheets are made up to certain dates, but a statistician's work is continuous. Our function is to provide him with certain figures from which he can draw his own conclusions, our figures being taken out at certain specified periods, from which he may draw his conclusions day by day and week by week. Therefore, I think there need be no rivalry between accountants and statisticians. As to the second point, Mr. Dent very modestly spoke of the work of the statistician as not providing a panacea for all the ills of industry. But I do think that the study of statistics illuminates many very engrossing problems, such as, for example, the unemployment problem. Regarding unemployment—perhaps one of the most important contributions to be made by statisticians will be the fact, arising from the practice of budgetary control and sales forecasting, that an unemployed man is a non-functioning consumer. In short, the study of "consumption" is as important as the study of "production." I agree with Mr. Scott-Moore that we should invite Mr. Dent to give a lecture here again, and also provide him with a very large blackboard for the purpose of illustrating his graphical methods.

The LECTURER: That is rather an interesting point made by Mr. Pears—that the function of one is static, and that of the other dynamic. When I quoted Colonel Rorty, there was a paragraph which said: "Furthermore, the accounts themselves are the materials from which many statistical studies are derived." Well, that is so. The accountant is not interested in the study of the growth of orders and sales, and variations in gross profits from, say, 1919 to 1927; that is not really his function—projecting growth ahead. He leaves that to somebody else—to the statistician. All business forecasting, however difficult it may be, should be done by the statistician, or economist, whatever you like to call him, in collaboration with the chief executives. His function is undoubtedly different; it should apply primarily to the control of sales, getting the market question settled, what the market value means, what its probable capacity is, what are the changes that have taken place, and generally looking ahead. That is the difference, I think, between modern business methods and the old business methods. Under the old methods, decisions were largely based on intuition—leaving it to individual geniuses at the head of the concern—and that intuition might have been right. But it was probably not so right as the scientific analyses of the conditions. We now analyse facts and base conditions on those facts. Most of the famous millionaires of the earlier period, who were looked upon as super-geniuses, really gained their positions by political intrigues, secret rebates, and artificial monopoly advantages, child labour exploitation, and aids of that sort. Those were factors which were artificially boosting the millions of the great business man. I agree with Mr. Pears that the unemployment problem is associated directly with this question of the business cycle. If the producer and the buyer in the basic industries make a mess of forecasting future demands, and overestimate, and there is going to be less consumption than predicted, we know that a curtailment of production later on will inevitably balance that out. The unemployment question is such a very big thing, and we are only mentioning one angle of it, but when we realise that all producers are consumers, production and consumption come round to the same group. The existence of an enormous body of unemployed who are not consumers means naturally a decline in the national purchasing power. There has been a great deal of work done in America on the question of equalising production and consumption, and the *International Labour Review* of this month has an article dealing with "The Technique of Balance." A report has been prepared—under Mr. Hoover's guidance, I believe—similar to the big report on "Business Cycles and Unemployment," and it is worth studying. One or two people here seem to be conspiring to produce a blackboard and chalk for my benefit. (Laughter.) Well, as I have said, if the Society is sufficiently interested in the question of graphs, charts and other things of that nature, I shall be only too pleased on a future occasion to give you a description of them.

Mr. QUIGLEY: I should like to say that I have listened with very great interest indeed to Mr. Dent's paper, and I feel flattered by what the Chairman has said with regard to one or two little things I have done. Of course, I have a special interest in this matter, since I have for about seven years been in the forefront of the battle that has been waged by the "economic statistician," if one can employ this term, against the accountant. But I would like to speak first of all about the relations between the accountant and the "economic statistician." I have always found that the work of the accountant is absolutely invaluable to the statistician. If an accountant's work is badly done, if there is bad co-ordination, if there is no standardisation throughout an industry, then the statistics built up are very misleading. In the industry with which I am more particularly concerned, we have, of course, a central association which, through an estimating cost accounting committee, has taken up the matter of standardisation. We are aiming at obtaining information on the basis of a standard cost accounting system, so that we can add up our returns and get a total which is more or less correct. I have found that the statistician, as such, is rather an unpopular person, especially with sales managers. I remember one big firm which had an economic statistician, and his main function was to examine export activities to guide the firm in question in the

development of a big export business. They created a department purely for that purpose. It was found, as one would expect, that the manager was over-estimating. The result of that was that there was some re-organisation and a considerable amount of hostility between the statistician and the manager. I remember an interview I once had with a professor of social economics, who insisted on the overwhelming importance of the accountant. He said that the real function of an industry was to bring all the accountants together, get them to pool their figures, and then nominate a super-accountant to examine those figures. and give some beautiful graphs and essays on co-ordination. (Laughter.) Well, that is an idea which cannot be realised ; it places too great a responsibility on the accountant as such. It makes him partly static and partly dynamic. The head of a business is not usually a man who is interested in geometrical ratios or averages ; he has no particular desire to study a logarithmic chart ; he likes to see a thing he can easily understand, to have a report he can read at lunch, or, perhaps, in the train. I am inclined to think that in the United States there is a special mentality which allows executives to swallow large quantities of charts without suffering indigestion. (Laughter.) The slump on the New York Stock Exchange is one which was never forecasted, or avoided by the action or advice of any of the official agencies. I remember having a conversation with an engineer who went over Ford's works at Detroit. Ford's ideas may be perfectly all right in the United States, but they would not apply in a country like this. Ford carried out very careful investigation into the efficiency of his workers, with a view to obtaining a maximum output from each worker and with a view to determining the maximum number of days such a worker could continue that output without collapsing. I think he has carried that idea out with very great success ; but if you could ascertain the opinion of the employees I believe you would get a slightly different picture from that which Ford gives. Statistics in that case may be used to promote a form of industrial slavery, and they are not in the best interests of industry. Ford himself has never been a good co-operator in the work of industry in the United States. He never issues statistics of his own activities which are at all satisfactory—in fact, he has ceased now to issue a balance-sheet. Therefore, Ford, as an example for statisticians, I think, is to be avoided. I have examined conditions in the United States and read many reports—especially that latest report issued by the Committee which had as its Chairman President Hoover—and in that report the Committee admits that, in certain forms of economic and statistical research, the United States is behind this country. They have elaborate research diagrams based on budgetary estimates and sales quotas and wonderful things like that, but in research bearing on broad economic questions, fundamental export activities, finance, labour, and social insurance, they are much behind the times. I think that in this country we are forging ahead along lines which are intrinsically better than those of the United States. If we had closer co-operation between the profession of accountancy and this new profession of industrial statistics I think it would be all to the good. Something definite, however, is being done ; it is only necessary to visit a few firms in this country to find that out. I could myself give instances of cost accounting methods and budgeting which are far ahead of anything that is even considered in the United States. There is a form of psychology in this country which says, "We cannot do anything at all ; we must import our ideas and methods." Well, we may import the initial idea, but we can develop it much better —at least, that is my experience.

A vote of thanks to Mr. Dent for his lecture was proposed by Mr. SCOTT-MOORE, seconded by Mr. SYER, and carried unanimously, and the usual vote of thanks was accorded to the Chairman.

Changes and Removals.

Messrs. Ashmole, Edwards & Goskar, Incorporated Accountants, have removed to Cornhill Chambers, Christina Street, Swansea. They have also opened a London office at 61, Grosvenor Street, London, W.

Mr. L. D. Ashton, Incorporated Accountant, has commenced public practice at 23, Charles Street, Cardiff.

The partnership heretofore existing between Mr. H. W. Batty, Incorporated Accountant, Mr. F. B. Darke, F.C.A., and Mr. L. C. F. Robson, Incorporated Accountant, has been dissolved. Mr. Darke and Mr. Robson will continue to practise at 146, Bishopsgate, London, E.C., under the style of Darke, Robson & Co.

Messrs. Button, Stevens & Witty, 6, Dowgate Hill, Cannon Street, London, E.C., Incorporated Accountants, have taken into partnership Mr. E. C. Coleman, Incorporated Accountant. The name of the firm will be unchanged.

Messrs. Cole, Dickin & Hills have removed to 18, Essex Street, Strand, London, W.C.

Mr. Sidney Foster, Incorporated Accountant, hitherto practising under the style of William Grimes & Co., is now practising as Sidney Foster & Sons, Incorporated Accountants, at the same address, namely, 2, Narrow Wine Street (top of Union Street), Bristol.

Mr. H. W. Green, Incorporated Accountant, and Mr. J. E. Robson, Incorporated Accountant, announce that they have taken over the practice of the late Mr. Frank S. Oliver, Chartered Accountant. They will practise under the firm name of James L. & F. S. Oliver, Incorporated Accountants, at Union Chambers, 32, Grainger Street West, Newcastle-on-Tyne.

Mr. A. Lievesley, Incorporated Accountant, has commenced public practice at 33, Hoghton Street, Southport.

Messrs. Morgan Brothers & Co., Incorporated Accountants, 54, New Broad Street, London, E.C., have taken into partnership as from January 1st, 1930, Mr. H. J. Sier, Incorporated Accountant. There will be no change in the name of the firm.

Messrs. Noon & Elsworth have removed to Century Buildings, 31, North John Street, Liverpool.

Messrs. Oldham, Holland & Co., of 17, Coleman Street, London, E.C., announce that they have amalgamated their practice with that of Mr. W. Martin Hume, Chartered Accountant, late of 16, Godliman Street, London, E.C. They have also admitted into partnership Mr. Robert William Metcalf, Chartered Accountant. The name and address of the firm will remain unaltered.

Mr. Arthur Tindale, Incorporated Accountant, has commenced public practice at 15, Clegg Street, Oldham, under the style of Arthur Tindale & Co.

Messrs. T. B. Scattergood & Co. announce the death of their senior partner, Mr. T. B. Scattergood, A.C.A. The practice will be continued at 125, Edmund Street, Birmingham, by the remaining partners, under the same name as hitherto.

Mr. O. Harrison Smith, Incorporated Accountant, of 6A, North Parade, Bath, announces that as from January 1st, 1930, he has taken into partnership Mr. Frederick Haughton, Incorporated Accountant. The practice will be carried on under the name of Harrison Smith and Haughton at the same address.

Mr. C. H. Wells, Incorporated Accountant, has admitted into partnership Mr. J. W. Richardson, Incorporated Accountant. The firm will be known as Wells and Richardson, and the practice will be continued at Independent Buildings, 21, Fargate, Sheffield.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Glasgow Students' Society.

A meeting of this Society was held on 21st ult. Mr. A. R. Weir, F.S.A.A., presided over a good attendance, and was supported by Mr. Alfred Palmer, A.S.A.A., Mr. C. M. Vance, A.S.A.A., and Mr. Robert Fraser, F.S.A.A., Hon. Secretary. An apology for absence was intimated from Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch. A Mock Meeting of Creditors under the Scottish Bankruptcy Act was held, and the various proceedings leading up to the appointment of the Trustee and Commissioners formed an interesting and educative example for budding practitioners.

An Ancient Incorporation.

For the fourth year in succession, Mr. J. Stewart Seggie, C.A., F.S.A.A., has been elected Worthy Deacon of "Ye Ancient Incorporation of Squaremen." In acknowledging his re-election, Mr. Seggie stated that there was documentary evidence that the Corporation was in existence as far back as three centuries ago. It was claimed, however, that it went back much further than that. In olden times the Corporation of Squaremen was restricted to operative crafts, but now its membership was recruited from persons approved by the Deacons' Court and, apart from consideration of the Masonic record of an applicant, the Squaremen were independent and not related to any specific Masonic order.

Bequest by Mr. Wylie Auld, F.S.A.A.

The late Mr. Hugh Wylie Auld, Incorporated Accountant, Glasgow, who had his residence in Saltcoats, a former member of the Saltcoats Town Council, a magistrate of that burgh, and for a number of years a member of the Council of the Scottish Branch of the Society, has bequeathed his whole estate to the Town Council, and nominated the Provost to be his sole executor, provided that the council pay two annuities of £85 each to beneficiaries named by him, and that the council retain his pictures and build a gallery or museum.

De-rating Cases.

The Scottish Valuation Appeal Court, consisting of three Court of Session Judges, has been busy in recent weeks in deciding appeals, sometimes at the instance of the ratepayer and sometimes at the instance of the Inland Revenue. The principal cases so far have referred to premises used for cold storage, warehouses and similar buildings used for storage and blending of spirits, and land used in connection with pig-breeding. In the case of cold storage and warehouses for blending whiskies, the Court decided that these were not subjects which should be de-rated, while in the case of pig-breeding with suitable land attached to the piggeries, this was held to be agricultural land, and, therefore, the de-rating was sustained.

Rationalisation.

At a recent meeting of the Economic section of the Glasgow Philosophical Society, Mr. J. R. Richmond, a director of Lord Weir's Company at Cathcart, Glasgow, submitted a paper on "Rationalisation." After defining the term and its application, Mr. Richmond went on to refer to the forms of rationalisation in various countries. In England, although more slowly, there had been questionings of the system, which had grown up since the industrial revolution, which had produced such a striking increase in material production and wealth. The Americans had been the pioneers in business combination, largely, in the first instance, for distribution, price, and selling purposes, and it was perhaps significant that rationalisation proper began there primarily on the technical side. One of the chief features in the rationalisation process was what was termed integration—in other words, the location of the various elements of plant, and the making up of a chain sequence of processes from the raw material to the finished product or products. It meant the elimination of the expense of transport charges and the reduction of all transfer of material to a minimum.

Company Law from a Banking Aspect.

In a recent lecture by Professor Girvan, of the Chair of Conveyancing, Glasgow University, some points in Company Law, viewed from a banking aspect, were considered. One of Professor Girvan's points related to borrowing. He said that formal borrowings were often associated with pledging of assets in security. In Scotland that generally meant a disposition in security of heritable estate or an assignation of shares or other interests in favour of the lender—the floating charge so much favoured by banks in England being absolutely foreign to the law of Scotland. Under Scots law, the creditor's right had to be duly completed in the manner appropriate to the nature of the security subjects. The lender naturally wished information as to the company's borrowings, and he could get this from the company's register of mortgages and the annual summary filed with the registrar, but the information related only to charges specifically affecting the assets, not to ordinary trading debts or unsecured loans. It was doubtful whether a transfer not accepted by the company gave a valid title against an arresting creditor. A blank transfer with share certificate was good so long as the debtor remained solvent, but on bankruptcy the Trustee might come in and cut down the transfer. Transfers should be passed at a formal meeting of directors. Legislation tended to strengthen the position of members against abuse, and this was shown by many of the provisions of the Companies Act, 1929.

*** *Legal Notes are held over on account of pressure on space.*